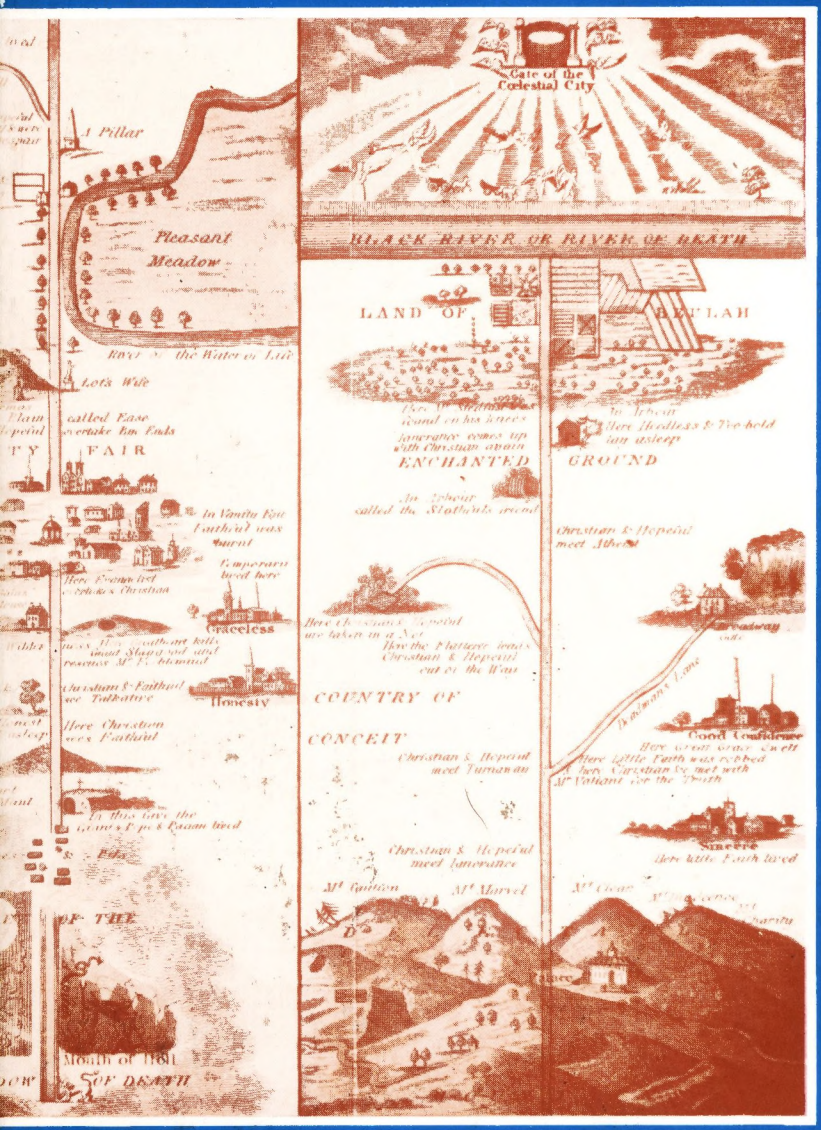

TROTSKY and FATALISTIC MARXISM

Geoff Hodgson

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SPOKESMAN BOOKS
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This work is dedicated to all those that with will and courage have struggled for a socialist future. Some may have been influenced by fatalism, but by their very actions they have proved the maxim: fatalism is not enough.

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Author's Note

This work has been influenced by a decade of contact with the Trotskyist movement in Britain. It would be impossible, therefore, to list the many people that have influenced the ideas of the author, and who have directly or indirectly, and by assertion or contradiction, helped to form the substantial argument. I gratefully acknowledge the help of all these influences.

Trotskyism and the 'Conception of the Epoch'

'. . . fatalism is nothing other than the clothing worn by real and active will when in a weak position'.

Gramsci, *Prison Notebooks*

Trotskyism, as an identifiable political ideology, has existed for half a century. Trotsky's collected written works would fill many volumes, exceeding even Lenin's massive written output. Trotsky's lifetime was devoted to intensive political activity. After being involved in the volcanic events of both the 1905 and 1917 Russian Revolutions, he struggled against the horrific degeneration of the first workers' state. He also provided the movement against fascism with a brilliant analysis of the rise of Nazism in Germany. Yet even today Trotskyism does not enjoy a great deal of the fresh air of careful criticism and reasoned debate. The situation is in contrast to the vicious and often bloody sectarian battles which were completely prevalent in the early years of Trotskyism. But still informed analysis is lacking.

Since the Second World War, Trotskyism has failed to find a secure root in any mass movement, or become a major long-term influence in mass struggles, with the possible exception of Ceylon. It has suffered an endless series of splits, on an international and national scale. But that does not exclude it as a potential or actual political force. Trotskyist ideas still

have an influence which outweighs the fragmentation and smallness of the Trotskyist organisations themselves.

The survival of Trotskyism, in circumstances where it can be discussed as the creed of a class ally rather than a class enemy, makes a serious assessment of this movement both necessary and possible. Notable efforts to appraise the life and work of Trotsky are already in existence: from Isaac Deutscher's majestic and moving three-volume biography[1], to a more critical analysis, and subsequent debate, in *New Left Review*[2]. These works have served to clear the ground. But there is much more to be learnt from an analysis of Trotsky and Trotskyism. And the task of analysis is no less urgent in the face of the recent intensification of the class struggle on an international scale – it is all the more necessary.

Most often, Trotskyism has been assessed in terms of its confrontation with Stalinism, its relation to Leninism and Bolshevism, its assessment of the Soviet Union, and its component theory of permanent revolution. We shall not discuss these themes here. We shall assess Trotskyism in terms of a unifying thread which winds itself through all the works of its creator, and which still assumes a prominent position in Trotskyist theory today. We refer to Trotsky's view of the organic development of capitalism, and his catastrophist vision. Such a conception has an explicit position in Trotskyism, summed up by the phrase: 'the conception of the epoch'.

We shall argue that the persistent isolation and failure of Trotskyism has a great deal to do with this erroneous and central 'conception of the epoch'. But our first task will be to survey the structural position of the 'conception of the epoch' in Trotsky's writings. Second, we shall criticise both the specific con-

ception of the epoch, and its function, in Trotsky s thought. Third, we shall try to show how this conception moulded and impaired the Trotskyist movement after the murder of Trotsky in 1940, and comment on the fate of this movement, using examples mainly from Britain. We shall end with a discussion on the nature of the current period.

From Imperialism to the Epoch of Revolutions'

The impact of the outbreak of the First World War on the socialist movement is well known. It forced a huge crack between the revolutionary and the reformist wings of the Second International, with various fragments in between. This dramatic cleavage in the movement still finds a clear and ossified organisational expression on the left today.

At the theoretical level, contemporary Marxists devoted a great deal of energy to analysis and discussion of the causes of the great confrontation which the world had plunged into in 1914. A few months earlier, Luxemburg expressed her views on imperialism and its origin in her book *The Accumulation of Capital.* The German Social-Democratic Party had already devoted considerable debate to the question, particularly after the publication of Hilferding's *Finance Capital* in 1910. Bukharin completed his major work on the subject in 1915, it was to be published later as *Imperialism and World Economy.* Lenin was much influenced by Bukharin's work, and in 1916 he wrote his famous widely distributed text entitled *Imperialism: The Highest Stage of Capitalism.*

Lenin noted that the outbreak of the First World War had ended a period of capitalist expansion which had been pursued since 1871, leading to the almost complete territorial division of the world amongst the

major capitalist powers. Concurrent with this colonial expansion, the concentration of capital had proceeded apace, with the creation of capitalist monopolies with a decisive influence over production. Despite the popularity of his book, it is not well known that Lenin did not originally have a rigid scheme where imperialism could be nothing else but the last and final zenith of capitalist development. The original draft of the book was tentatively subtitled *Principal Features of a Modern (Recent Stage of) Capitalism.* [3]

Trotsky, himself, was less of a political economist than Lenin. But well before Lenin's *Imperialism* was written Trotsky had a developed conception of the historical forces that led to the explosion of the First World War. In October 1914 he wrote a political pamphlet on the war and the Second International, the main aim of which was to defeat the pro-war arguments of the right-wing German Social Democrats. This pamphlet includes a vivid picture of Trotsky's own conception of the period in which he was writing:

> 'At the basis of the current war is the rising up of the productive forces, developed by capitalism, against the nation-state form of their exploitation. Our entire planet, its land and water areas, the earth's surface and its subsoil provide today the arena for a *worldwide* economy, the dependence of whose various parts upon each other has become indissoluble. This work has been accomplished by capitalism. But capitalism also compels the capitalist states to fight in order to subordinate this world economy to the profit interests of the respective national bourgeoisies. The policy of imperialism first of all testifies to the fact that the old nation-state, created in Europe through the revolutions and wars of 1789, 1815, 1848, 1859, 1864, 1866, 1870, has become outlived and has turned into an intolerable fetter upon the further develop-

> ment of the productive forces. The war of 1914 represents first of all the collapse of the *nation-state* as a self-sufficient economic arena. Nationalism can continue as a cultural, ideological, psychological factor – the economic basis has been cut from under its feet . . . the objective meaning of the war consists in its destroying the existing national economic nests in the name of a world economy. . . . The war heralds the break-up of the nation-state; and, at the same time, also the crack-up of the *capitalist form* of economy. . . . The further evolution of world economy on capitalist foundations signifies an uninterupted struggle between the world powers for ever new partitions of the selfsame earth's surface as the object of capitalist exploitation. Economic rivalry under the aegis of militarism is being replaced by world banditry and devastation, which disorganize the very foundations of mankind's economic life. World production has risen up not only against nation-state fetters but also against the capitalist organization of economy that has now become transformed into barbarous disorganization. The war of 1914 is the greatest historic convulsion of an economic system perishing from its own contradictions.'[4]

Trotsky then goes on to proclaim a new epoch – an epoch of proletarian revolutions.[5]

Quite notably, there is a much more pronounced emphasis on dead-end state of the capitalist system than in Lenin's pre-1917 writings. And, in particular, Trotsky views the imperialist stage of capitalism as, quite emphatically, the last zenith of capitalist development, i.e. the last period of sustained capitalist expansion. Trotsky seems to hold the view that a general upward tendency of capitalist development is ruled out, due to the complete partition of the world by the capitalist powers, and the conflict between the productive forc and the capitalist nation-state.

However, this slight difference of emphasis must not be overestimated. Lenin, himself, talked of the

'decay' of capitalism in his pamphlet on *Imperialism*. But we must note that Trotsky, rightly or wrongly, was more assertive in his schematic characterisation of the period, and less cautious in his estimation of the possibilities. We have only to recall Lenin's famous remark of January 1917:

> 'We of the older generation may not live to see the decisive battles of this coming revolution.'[6]

Trotsky and the Bolsheviks

After joining the Bolshevik Party in 1917, Trotsky expressed his sincere agreement with Lenin, and, according to Lenin's own verdict, Trotsky became an exemplary Bolshevik. Trotsky was to claim adherence to the creed to Leninism for the rest of his life. And Deutscher and others have shown that, despite the weight of Stalinist lies and distortions, Trotsky was largely responsible for the survival of the spirit of Leninism after Lenin's death.

When the Bolshevik Party led the Russian Proletariat to conquer state power in 1917 its leaders thought that the victory would be the precursor of revolution in Europe. If the revolution remained confined to Russia, then they would be defeated. Lenin's writings of the time are most emphatic on the latter point. We cannot assess this perspective here. It is far beyond the scope of this essay to give a detailed and balanced analysis of the possibilities of socialist revolution in Europe, in the political convulsions of 1917 to early 1921. But there is no doubt, in our view, that the Bolshevik seizure of power was not a rash or premature move. The Menshevik rebuttal of the revolution was based on a naive, passive, and fatalist view of the road to socialism.

The years of 1917-21 held tremendous possibilities. It was by no means inevitable that revolution only managed to consolidate itself within the bounds of

Russia itself. These years mark the most revolutionary period, in terms of the possibilities of socialist revolution, yet experienced in the history of capitalism. However, at the time, Lenin and the other leaders of the Bolshevik Party, including Trotsky, went one stage further. They asserted emphatically that capitalism had reached its last zenith of productive development in the pre-war imperialist phase, and they could look forward to no further period in which the underlying tendency of capitalism was to expand the productive forces. With little public doubt, they proclaimed that they were participants in the final act of capitalist history.

Perspectives in 1921

When the revolutionary tide began to ebb, in 1920 and in the early months of 1921, the Bolshevik leaders began to adjust their immediate perspectives. The Soviet State was left in isolation: surrounded by a world of reaction. The Hungarian revolution had been crushed. The revolutionaries in Germany had been defeated. Mussolini was mobilising for his bloody road to power in Italy. White counterrevolution had pushed back the red tide. In June 1921 the Third Congress of the Communist International met to appraise the situation. The more astute members of the Comintern realised that the tempo of struggle had changed, and that tactics had to be altered. Perspectives for the short-term were revised, on the realisation that world revolution was not on the immediate agenda. However, the Comintern did not revise or depart from the view that they were witnessing the last phase of capitalism, and that capitalism had passed its final zenith. The conception of the *revolutionary epoch* was maintained, despite the fact that the tide of revolution had just ebbed.

Trotsky gave a long and detailed analysis of the situation in his 'Report on the World Economic Crisis' to the Congress. His opening remarks were as follows:

> 'With the imperialist war we entered the epoch of revolution, that is, the epoch when the very mainstays of capitalist equilibrium are shaking and collapsing. Capitalist equilibrium is an extremely complex phenomenon. Capitalism produces this equilibrium, disrupts it, restores it anew in order to disrupt it anew, concurrently extending the limits of its domination. In the economic sphere these constant disruptions and restorations of the equilibrium take the shape of crises and booms . . . Capitalism thus possesses a dynamic equilibrium, one which is always in the process of either disruption or restoration. But at the same time this equilibrium has a great power of resistance, the best proof of which is the fact that the capitalist world has not toppled to this day.'[7]

After a more factual analysis of the world political and economic situation, Trotsky then draws some theoretical conclusions:

> 'Crisis and boom blend with all the transitional phases to constitute a cycle or one of the great circles of industrial development. Each cycle lasts from 8 to 9 or 10 to 11 years. By force of its internal contradictions capitalism thus develops not along a straight line but in a zigzag manner, through ups and downs. . . . Crises and booms were inherent in capitalism at its very birth; they will accompany it to its grave. But to determine capitalism's age and its general condition – to establish whether it is still developing or whether it has matured or whether it is in decline – one must diagnose the character of the cycles. . . . Let us take the development of capitalism – the growth of coal production, textiles, pig iron, steel, foreign trade, etc. – and draw a curve delineating this development. If in the deflexions of this curve we have expressed the true course of economic development, we shall find that this curve does not *swing upwards* in an unbroken arc but in zigzags, looping up and

down – up and down in correspondence with the respective booms and crises. Thus the curve of economic development is a composite of two movements: a primary movement which expresses the general upward rise of capitalism, and a secondary movement which consists of the constant periodic oscillations corresponding to the various industrial cycles.'[8]

Trotsky then goes to discuss some figures pertaining to the British economy in the period 1781 to 1914. He argues that the underlying curve of capitalist development can be divided into five segments. First, a period from 1781 to 1851 with no rapid economic growth. Second, 'after the revolution of 1848 which served to extend the framework of the European market, there comes a breaking point'; from 1851 to 1873 capitalism expands more rapidly. A third period of stagnation follows, until 1894. The fourth period, of boom, lasts until 1913. 'Then, finally, with the year 1914, the fifth period begins – the period of destruction of the capitalist economy.'

This 'fifth period', the 'period of revolutions', is then discussed in much more detail, including the following passage:

'At issue here is not whether an improvement in the conjuncture is possible, but whether the fluctuations of the conjuncture are proceeding along an ascending or descending curve . . . That is the most important aspect of the whole question. Can we expect the same effects to follow the economic upswing of 1919-20? Under no circumstances. The extension of the framework of capitalist development was not even involved here. Does this mean that a new commercial-industrial upswing is excluded in the future, and even in the more or less near future? Not at all! I have already said that as long as capitalism remains alive it continues to inhale and exhale. But in the epoch which we have entered – the epoch of retribution for the drain and destruction of wartime, the epoch of levelling out *in reverse* –

upswings can be only of a superficial and primarily speculative character, while the crises become more and more prolonged and deeper-going.'[9]

There is little hard economic theory to add backing to Trotsky's analysis. For example, the dismissal of the 1919-20 boom, and all subsequent booms in the future, as 'superficial and primarily speculative' has no explicit theoretical justification. It *seems* to be based on a notion that capitalism requires increasing territory for its markets, and no more territory is to be found. But that explanation is not clearly apparent. Trotsky emphasises that conjunctural booms in capitalism will be possible in the future, but his overall perspective is equally emphatic:

'The only thing excluded is the automatic restoration of capitalist equilibrium on a new foundation and a capitalist upswing in the next few years. This is absolutely impossible under the conditions of modern economic stagnation.'[10]

The Third Congress unanimously reaffirmed the perspective of a general downward trend in capitalist development. Trotsky's prognosis was accepted by the Comintern.

Trotsky's analysis, despite its lack of theoretical rigour, and the empiricist manner in which it was deduced, had a great deal to commend it. It was in contrast to a picture of final, and virtually immediate, capitalist collapse which was being advanced by certain ultra-left members of the Comintern. Trotsky emphasises, on the other hand, that more, albeit short-lived, upswings in the capitalist trade cycle are possible. And in one passage he even entertains the possibility of 'a new epoch of capitalist upswing' after two or three decades of 'agonising' and 'violent' economic depression. But he goes on to dismiss this perspective as extremely unlikely. And he is in no

doubt about the consequences of such a view, for in his opinion:

> 'If the further development of productive forces was conceivable within the framework of bourgeois society, then revolution would generally be impossible. But since the further development of the productive forces within the framework of bourgeois society is inconceivable, the basic premise for the revolution is given.'[11]

At a later stage we shall argue that socialist revolution does not, and should not, require such a basic premise. Yet Trotsky, throughout his life, continually rebuts any view that capitalism can enter a period of sustained expansion as a major concession to reformism.

We can only guess what Trotsky had in mind to give theoretical justification to his general picture of capitalist development. However, his theme of the organic unity of the world productive forces, beating repeatedly against the boundaries of the capitalist nation-state, appears time and time again. Perhaps it supplies the intuitive basis for his prognosis. Whatever lay behind Trotsky's prognosis, there is no doubt that it is a major pillar of his political thought. Throughout his life he continues to renew the same picture; capitalist development consists of 8-10 year trade cycles superimposed on the general fluctuations of a long-term underlying trend. After 1914, the underlying trend, he repeatedly emphasis, is in a downward direction. The last zenith of capitalist production had passed.

After the Third World Congress

One important Soviet economist attempted to give more substantive backing to a prognosis of capitalist development. His name was Professor Kondratiev, and he developed his famous long-period trade cycle

theory. He asserted, with empirical rather than theoretical backing, that capitalist development consists of 'minor cycles', of about ten years, which are superimposed upon much longer 'major cycles', covering approximately fifty years.[12]

In 1923, Trotsky wrote a short article entitled *The Curve of Capitalist Development.*[13] Trotsky acknowledges Kondratiev's work, but takes issue with the Professor. An important difference of theoretical interpretation emerges. He contests the existence of a regular 'major cycle':

> 'It is already possible to refute in advance Professor Kondratiev's attempt to invest epochs labelled by him as major cycles with the self-same "rigidly lawful rhythm" that is observable in minor cycles; it is an obviously false generalization from a formal analogy. The periodical recurrence of minor cycles is conditioned by the internal dynamics of capitalist forces, and manifests itself always and everywhere once the market comes into existence. As regards the larger segments of the capitalist curve of development (50 years) which Professor Kondratiev incautiously proposes to designate also as cycles, their character and duration is determined not by the internal interplay of capitalist forces but by those external conditions through whose channel capitalist development flows. The aquisition by capitalism of new countries and continents, the discovery of new natural resources, and, in the wake of these, such major facts of "superstructural" order as wars and revolutions determine the character and replacement of ascending, stagnating or declining epochs of capitalist development.'[14]

In contrast to Kondratiev, Trotsky argues that the long-run underlying tendencies are not regular and periodic. He seems to oppose this mechanistic and deterministic aspect of Kondratiev's theory, regarding the short period trade cycle as the only automatic cycle under capitalism. According to Trotsky, the trajectory of the underlying trend is determined by

'external' forces, which create a 'breaking point' and determine the character of a new epoch. Hence capitalism is like a clockwork toy; it is wound up and set on its path. It moves along haphazardly, but with mechanical regularity, until an external hand puts it on a different course. We get a picture of cyclical fluctuations superimposed on an upward or downward trend.

Trotsky, as we have shown, regarded the First World War as a 'breaking point' in the world capitalist system. Subsequently the system entered a period of general decline or stagnation. However, in the above cited article, there is no argument to support Trotsky's view that another breaking point, leading to a period of capitalist expansion, was extremely unlikely or even impossible.

However, Trotsky returns to this picture of capitalism, with cyclical fluctuations on a declining trend, time and time again during his life. The 'revolutionary character' of the post-1914 epoch, and the extreme unlikelihood of a succeeding epoch of capitalist expansion, are repeatedly reaffirmed in a most emphatic manner. This picture and prognosis is described again in 1922, at the Fourth Comintern Congress.[15] It appears again in 1924, along with a repetition of Trotsky's view that the capitalist nation-state is a rigid cramp on the development of the productive forces.[16] The implication being that capitalism could develop no longer within the bounds of the nation state. So the two elements in Trotsky's thinking must be taken together; first, he has this picture of capitalist fluctuations, superimposed on a downward trend after 1914, and second, the downward trend is itself explained by the extreme and potentially explosive contradiction between the productive forces and the barriers of the capitalist nation-state.

During the Great Depression

In 1932, writing during the catastrophic slump which followed the economic crash of 1929, Trotsky maintains the same general picture. He asserts once more his picture of the character of the epoch.[17] Notably, during the Great Depression Trotsky's economic perspective is repeated with more confidence in the severe malaise of the capitalist system. Such a diagnosis was not refuted by the economic state of capitalism in the 1930s. But Trotsky does not immediately succumb to the temptation to explain the crash of 1929-31 as the 'final' crisis of capitalism. That crisis was regarded as 'cyclical' in character, and he expected another short upturn, if capitalism was to survive. But regarding the historical 'underlying' downward trend of capitalist development Trotsky was in no doubt.[18]

His conception of capitalist development was used to form part of a powerful polemic against the ultra-left excesses of the Comintern during the so-called 'third period' of 1928 to about 1935. The Comintern, under the dictates of Stalin, had labelled the Great Crash as the 'final' crisis of capitalism, in order to justify a binge of voluntaristic adventures and sectarian splits in the working class movement. There was nothing obviously unhealthy in Trotsky's prognosis, in the context of the economic and political events of 1929-38.

A Theoretical Assessment

But having recognised Trotsky's political achievements, it is still necessary to assess his prognosis and conception of the epoch from a critical and theoretical point of view. And this would best be done before we discuss the foundation of the Fourth International in 1938 and the later years of Trotsky's life.

There is no doubt that Trotsky's picture of capitalist fluctuations on a declining trend would be apparently justified by an empirical observation of the world economy during Trotsky's lifetime. But that did not mean that it rested on firm theoretical foundations. We have already noted that there is a paucity of theoretical argument to support Trotsky's picture. The assertion of the downward underlying trend seems to rest on the notion that the productive forces under capitalism were severely limited by the boundaries of the nation-state, once imperialism had conquered the globe. A further upward trend in capitalist development is ruled out, unless capitalism can liquidate masses of its existing fixed capital through some catastrophe, and create the basis of its expansion to its *previous* level once more. In any case the final zenith of capitalist expansion has passed.

Trotsky dismisses the possibility of an upward trend of expansion within the bounds of the capitalist nation-state. This is a fixed and rigid barrier, which cannot be moved without the overthrow of capitalism itself. But no theoretical argument to support this analysis is clearly apparent in his writings. The limitations of the capitalist nation-state seems to be the only basis upon which Trotsky builds his picture of the downward trend of capitalist development, the assertion that 1914 was the last zenith of capitalist expansion, and the prognosis of the past-1914 'revolutionary epoch'.

Without adequate theoretical backing, the prognosis of capitalist development which Trotsky preserved, from the early years of the Comintern, must be regarded as little more than an intuitive assessment: little more than an inspired guess, based on a conception of the nation-state, and mere extrapolation from empirical evidence. But it was a guess that

turned out to contain dramatic and horrific validity during the inter-war period.

It would be impossible to assess this 'guess' by trying to determine the relative probabilities of the alternative course of capitalist development in the inter-war period. Perhaps Trotsky's prognosis was the most probable for those two decades. But we have no theoretical reason to absolutely exclude other possibilities. It would have been *feasible* for the bourgeois democracies to have adopted Keynesian-style economic measures of state intervention, to accomplish a period of general capitalist expansion, and without necessarily extending their imperialist control of other territories or markets. We do not assert that such an achievement was very likely. We merely assert that it was feasible. And it was even possible without a 'breaking point' in the underlying line of capitalist development, marked by a major convulsion, revolution, or war. An upward trend in capitalist development could have occured after the First World War, and a slump of the severity of the 1930s was not inevitable.

Moves towards a policy which could have alleviated the severity of the Great Depression, and created the basis of greater capitalist expansion, were made in the American 'New Deal' of social and economic reform of 1933-9. Trotsky repeatedly dismissed these measures as doomed from the start. According to him there was no internal national basis for sustained capitalist expansion. In fact the New Deal was effectively limited by the conservatism of a section of the United States ruling class, and it remained a set of relatively piecemeal measures, uncrowned by success. But there was no *a priori* reason why it should have failed. Perhaps the conservatives in the US administration should have taken Trotsky's prognosis

seriously and, in fear of revolution, implemented measures to promote a period of capitalist expansion! If they had done so they would have falsified Trotsky's conception, but their failure to support an extensive New Deal does not, on the other hand, vindicate Trotsky either.

The Economy as a Machine

We have attacked Trotsky for having a rigidly limited conception of capitalist development. Trotsky continually asserted that socialist revolution was the result of conscious action, leadership, and organisation. He continually asserted that the end of capitalism would not come as an automatic process. In these respects he opposed the deterministic conceptions of the Second International. But Trotsky's own conception of the development of capitalism, itself, as we have described it above, was at root a determinist understanding of the movement of the capitalist economy. It was determinist because Trotsky regarded the economy as being subject to mechanical laws of development, of a necessary rather than a contingent nature.

It has been noted that Trotsky recognised certain 'breaking points' occuring in capitalist development which were created by events not of a 'purely economic' character, such as revolutions and wars. In that sense Trotsky's determinism must be qualified. But once capitalism had passed a 'breaking point', and it was set on either an upward or downward trend, then Trotsky's conception of its development was economic determinist in character, at least until the day of another breaking point or a socialist revolution arrived.

In the economic determinist scheme the economy is seen to be an 'objective' or 'underlying' element

which is impervious to the economic policy of capitalist governments. The latter is part of the so-called 'superstructure', and it is regarded as being the slave of the economic process. This model may have been appropriate for the period of 'laissez faire' in the nineteenth century, when economic development was more obviously spontaneous and less amenable to central guidance. But once oligopoly and monopoly had become prevalent the economic determinist picture became clearly at variance with the reality. In such a world economic indeterminacy is present, from the formation of prices to the aggregate level of economic output. And the monopolised system of production is an ideal arena for the intervention of government. It is paradoxical and ironic that Trotsky had accepted Lenin's analysis of imperialism based on monopoly capitalism and then gone on to proclaim the revolutionary epoch based on the irreversable downward slide of capitalist development. For the ascension of monopoly capitalism had removed the inevitability of any underlying downward slide, and it had enlarged the possibility of effective government intervention to stimulate capitalist expansion.

Trotsky's economic determinism was qualified, and it did not reach the extremes of some of the earlier Marxists, but it was rooted in a vulgar and simplistic conception of 'the economy'. For Marx 'the economy' had embraced the production of social relations and ideas, as well as things. The demarcation between 'economic basis' and 'superstructure' has no decisive prominence in his writings. Later Marxists, however, have endowed the economy with the attributes of a machine, grinding out its predetermined destiny according to 'natural law'. Such a conception became particularly prominent in the Marxism of the Second International. It is evident in the writings of all the

prominent economic theoreticians, of varying political inclination, including Bernstein, Kautsky, Plekhanov, and even Rosa Luzemburg. Lenin and Trotsky had reacted against the extreme and *passive* fatalism of the reformist leaders of the Second International, asserting the need for conscious leadership and activity in the struggle for socialism. But they did not reject the mechanistic and deterministic conception of the economy which pervaded the Marxian movement. Hence this view of 'the economy' formed part of the baggage of the Third International, clearly present in the theoretical work of Bukharin and influencing Stalin's politics. It was yet to become a part of the Trotskyist Fourth International.

A recent and devastating critique of this mechanistic conception of 'the economy' has been supplied by Colletti. In his book *From Rousseau to Lenin* he argues against the isolation of the economy as a single 'factor', devoid of ideas and conscious human mediation. As a result he rejects the notion of mechanistic causality as applied to the laws of capitalist development. This does not mean that there are no laws or tendencies of capitalist development, or that the economic processes are completely indeterminate. Capitalist reality can only be understood with a concept of causality that is specific to the capitalist system itself. And this conception of causality is not that which pertains to a machine, or 'natural law' in a Newtonian universe, nor that which pertains to the indeterminate world of the gambling casino. Capitalist causality is a *synthesis* of tendential laws and conjunctural indeterminacy, of blind forces and conscious will, and of determined causality and finalism.[19]

Theory and Practice

We have noted that it was *possible* for a sustained

upward trend in capitalist expansion to emerge after the First World War; there is no theoretical reason or mechanical-causal law which could have excluded this possibility. But we may add another point which is more relevant to the discussion of the relation between Trotsky's economic prognosis and his political strategy. If a post-war tendency of capitalist expansion *had* become manifest then this would *not* have excluded the possibility of socialist revolution. A successful revolution does not necessarily have to wait for a *cyclical* capitalist crisis, neither does it have to wait for the emergence of a general downward *trend* in the capitalist economy. Successful socialist revolutions are possible, but not inevitable, in periods of under-lying capitalist expansion. This is not an argument for voluntaristic activity at every instant; it is an argument for the appreciation of the *relative autonomy* of the political class struggle.

It would seem to follow from the above point that Marxism does not need to give a theoretical 'proof' that a given epoch of capitalist development is the 'highest' or 'final' period or phase of the capitalist system. In any case it is impossible to give a purely theoretical proof of this proposition. The only possible 'proof' that capitalism is on its last legs is to overthrow it *in practice.* For similar reasons we must reject labels like 'late capitalism'. Like people, systems are only 'late' when they are dead.

It is necessary to question why the prevailing orthodoxy of mechanistic Marxism, in which category Trotsky is included, found it necessary to attempt to *prove* that a given epoch marked the final phase of capitalist development. Why did Trotsky in particular, who continually asserted the role of leadership and action in overthrowing capitalism, cling most stubbornly to his prognosis of an irrevocable downward

trend of capitalist development? Why did he vehemently reject all assertions to the contrary, arguing that an alternative prognosis would *necessarily* have reformist political conclusions?

The first answer to these questions can be found in one unfortunate passage in Marx's own work. In his famous *Preface to A Contribution to the Critique of Political Economy* he wrote: 'no social order is ever destroyed before all the productive forces for which it is sufficient have been developed'. The *Preface* has had a disproportionate amount of attention paid to it in subsequent years. Hence it has probably encouraged a tendency for Marxist theoreticians to try and 'prove' that the productive forces in capitalism were becoming exhausted, in order to show that socialism was on the agenda. However, Marx's statement is completely vacuous from a practico-theoretical point of view. How do we *know* when the productive forces are fully exhausted? What shall be the signal, the sign from above that the new kingdom is coming? If we attempt to overthrow capitalism, and we are successful, then does this show that capitalism's productive forces could not have possibly developed no further? If, on the other hand, we are defeated does this prove that socialist revolution was not possible? Does it mean that a new surge in the productive forces is responsible for the drowning of revolution?

Marx's statement is a deterministic excess that has no theoretical meaning or practical consequence. If socialist revolutions have to wait for a sign of the stagnation of the productive forces then they either have to wait only for the first cyclical downturn, or they have to wait forever, or something in between. Without independent criteria on what a stagnation means we can never tell if the productive forces have

been 'sufficiently developed'. Marx's deterministic statement can justify *both* the *passive* fatalism of a Menshevik Marxist who is waiting for the final crisis of capitalism to come, and the *active* fatalism of Trotsky who fervently believed that the productive forces were exhausted, and used this as a clarion cry for revolution. Both perspectives are fatalistic, and both can trace their genealogy through the Marxism of the Second International.

It is interesting to note that the distinction between 'base' and 'superstructure', which is found in a prominent position in Trotsky's theoretical prognosis of capitalist development, is also found in Marx's *Preface*. Elsewhere it receives little prominence in Marx's own writing. It is amazing how many mechanistic theoretical ideas of Second Internationalist Marxism can be found in just two pages in the latter work. However, these mechanistic and vulgar conceptions assumed a central importance in the Marxism of the Second International, which they hardly do in Marx's own writings as a whole. And as we have noted, these conceptions were still very influential in the Third International, and in Trotsky's own thinking.

Objective and Subjective Factors

Trotsky's acceptance of the mechanistic, Second Internationalist, conception of 'the economy' formed the basis of another part of his political doctrine which related more closely to his revolutionary programme and strategy. This was his distinction between the 'objective conditions' and the 'subjective factor'. This distinction is a central structural feature of the *Transitional Programme*, written in 1938 for the founding congress of the Fourth International. The first two pages, for instance, are headed 'The

Objective Prerequisites for a Socialist Revolution'. These 'objective prerequisites' relate to the economy and the economic prognosis which has been discussed above. Trotsky writes:

> 'Mankind's productive forces stagnate. Already new inventions and improvements fails to raise the level of material wealth. Conjunctural crises under the conditions of the social crisis of the whole capitalist system inflict ever heavier deprivations and sufferings upon the masses.'[20]

He dismisses the possibility of Keynesian-type measures of capitalist recovery:

> 'The present crisis, far from having run its full course, has already succeeded in showing that "New Deal" politics, like Popular Front politics in France, opens no new exit from the economic blind alley.'[21]

Hence the 'objective conditions', consisting mainly of the state of the economy, are ripe for socialist revolution. The economic machine is heading towards an abyss. There is no way out, or alternative course of development, as long as capitalism remains. But, according to Trotsky, the overthrow of capitalism is not automatic once the 'objective conditions' have ripened. What is required is the 'subjective factor' of revolutionary leadership.

We have thus found a thread in Trotsky's thinking which stretches right back to his writings of 1914, and even earlier. A great deal of his written effort is devoted to the assertion, in various ways, that capitalism is 'objectively' ripe for socialism. This is supported by reference to the state of the productive forces, the 'declining curve of capitalist development', and so on. Excluded from these 'objective' circumstances, however, are the ideas and wills of classes in society, the ideological apparatus of the bourgeoisie, the nature and extent of bourgeois hegemony, and

the functioning of the process by which the capitalist system is legitimated in the eyes of the masses. Apparently, according to Trotsky, these social institutions which mould and reproduce bourgeois ideology and bourgeois hegemony are purely 'subjective' factors.

In addition, Trotsky's use of the distinction between 'subjective' and 'objective' ignores the fact that ideas and social institutions have an essential part to play in the economy itself. Ideas, for instance, are produced and reproduced daily in the bowels of the capitalist economy. For example, the buying and selling of labour power on the market itself reproduces the *idea* that the labourer is free under capitalism, and in a sense, of course, that idea is true. The role of the capitalist in setting up production creates the idea that money capital is necessary and productive. In fact, of course, it is not necessary, and is only productive, in a limited sense, as long as the capitalist system exists. If we turn to social institutions, again we can find numerous examples. The bourgeois family and the education system are both part of the modern capitalist economy, for they are both concerned with the production of labour power with a certain use-value, and the former is also concerned with the production of the use-values that relate to the household, e.g. cooked meals. Other institutions, such as trade unions, have an important determining role in production and the economy in general, not being merely passive slaves of the economic process. In addition, we must note, the functioning of all these institutions is vitally connected with the role of ideas, and generally with the promulgation of bourgeois values and conceptions.

All these points undermine the mechanical notion of the economy. It seems meaningless to proclaim the

objective conditions as ripe unless, to some extent, the hegemonic position of the bourgeoisie, and the hold of bourgeois ideas and institutions, have been undermined. Yet, in Trotskyism, these elements are profoundly underestimated. Attention is focussed on a machine-like conception of the economy, crisis ridden and grinding on to its own doom.

Trotsky's Last Years

All the features of Trotsky's politics which we have discussed in detail above were bequeathed to the Fourth International at its foundation. For the last two years of his life Trotsky entered an energetic struggle to increase the influence of this infant organisation. His qualities as a tireless propagandist and experienced advisor were used, and relied upon, to the full. He felt, with considerable justification, that he was keeping alive the principles of Marxism-Leninism, in the face of the Stalinist reaction, and handing them onto the next generation.

He did not depart from his conception of the epoch or his prognosis of capitalist development. In fact these ideas became reinforced during the later years of his life. No doubt the civil war in Spain, and the outbreak of the Second World War, were events which reassured Trotsky of his conception of capitalism in decline. The latter theme appears in a most emphatic form in his later writings. In one place he repeats once more his view that the post-1914 epoch is characterised by fluctuations on a declining trend of capitalist developments.[22] The ideas remain basically the same – but the emphasis changes. We find statements such as these:

(i) 'In any event, there is no doubt that the "theory of collapse" has triumphed over the theory of peaceful development.'[23]

(ii) 'Marx foretold that out of the economic collapse in which the development of capitalism must inevitably accumulate – and this collapse is before our very eyes – there can be no other way out except socialisation of the means of production.'[24]

(iii) 'I do not doubt that the new world war will provoke with absolute inevitability the world revolution and the collapse of the capitalist system.'[25]

(iv) 'Capitalism is condemned. Nothing will save it from collapse.'[26]

(v) 'Naturally there exists a difference between the political regimes in bourgeois society just as there is a difference in comfort between various cars in a railway train. But when the whole train is plunging into an abyss the distinction between decaying democracy and murderous fascism disappears in the face of the collapse of the entire capitalist system.'[27]

The first two quotations are taken from a book intended to explain the elementary principles of Marxism in an up-to-date context. Quotations (iii) and (iv) are taken from answers to questions sent to Trotsky by a *Daily Herald* correspondent. Perhaps most significantly, the final quotation is taken from the manifesto adopted by the Fourth International at the May 1940 emergency international conference.

Trotsky veered towards the view that the world capitalist system was on the verge of collapse in the later years of his life. He seems to contradict his earlier assurances that no cyclical crisis of capitalism was necessarily the final one. He weans the Fourth International on the milk of unjustified exaggeration. Deutscher, in his biography, noted the hyperbolic excesses of Trotsky's last years:

> 'Thus at the close of his days Trotsky interrogated himself about the meaning and the purpose of all his life and struggle and indeed of all the struggles of several generations of fighters, communists, and socialists . . . Again and again he surveyed the long and dismal sequence of defeats which the revolution had suffered between the two world wars. And he saw himself driven to the conclusion that if major new failures were to be added to this record, then the whole historic perspective drawn by Marxism would indeed come under question. At this point he indulged in one of those overemphatic and hyperbolic statements which from time to time occur to any great controversialist and man of action, but which taken literally lead to endless confusion. He declared that the final test for the working class, for socialism, and for Marxism was imminent: it was coming with the Second World War. If the war were not to lead to proletarian revolution in the West, then the place of decaying capitalism would indeed be taken not by socialism, but by a new bureaucratic and totalitarian system of exploitation.'[28]

To what extent were these hyperbolic statements a result of an immense self-questioning, as Deutscher suggests? It would be futile to guess. But it must be observed that if Trotsky did ask himself such questions then they stemmed from a certain problematic, a certain appraisal of the sort of test that would falsify the Marxist perspective. We can find distinct traces of this problematic right from 1914 and up to the later years of Trotsky's life. Most often it is not embroidered with over-statements and exaggerations of the type we have noted above. But it is there. *It is the problematic which insists that the soul of revolutionary Marxism must depend upon the prognosis of the ultimate stagnation of the system, as an automatic consequence of its own inbuilt laws of development.* Trotsky's version of this problematic was, as we have noted, his conception of the epoch and his view of

capitalist development as cyclical fluctuations on a declining trend.

Throughout Trotsky's life he attacks any alternative prognosis as a concession to reformism, a concession to the view that it was possible to win significant reforms under capitalism. Such an alternative would seem, to Trotsky, to undermine his assertion that the 'objective conditions' were ripe for socialist revolution. If, on the other hand, we reject the view that an underlying expansion of capitalism does necessarily endorse a reformist, electoralist, or Menshevik strategy, and if we reject the rigid and mechanistic distinction between the 'objective situation' and 'subjective factors', then we have no need to proclaim the declining tendency of capitalist development; no need to hang Marxism on the single peg of the conception of the epoch; and no need to make rash statements about collapse and confrontation in the future, to give our prognosis the air of authenticity, and to smother our own doubts.

Not only was the Fourth International founded in 1938 out of meagre forces, with world membership at about 6000 or less (and with many of these in the United States); not only was it founded in a period in which the working class was suffering defeat after defeat on a world scale; not only was it weaned on rash exaggerative statements about the world situation; but it was also founded on a version of the historical materialism of capitalist development that had less to do with Marx and more to do with the vulgar mechanistic Marxism of the Second International. This is not to deny the other things of value that Trotsky bequeathed to the Fourth International, in particular his preservation of the main lessons of the Bolshevik tradition, including Lenin's great contribution to the theory of revolutionary action. But the

Fourth International was to reap the bitter harvest of its weaknesses at its foundation. These were not only the weaknesses of isolation and lack of roots in the working class movement, which are not difficult to explain in terms of the defeats of the period, but also grave weaknesses of theoretical stature which could, to some extent, have been corrected. The tragedy is that these weaknesses remained, and we shall now follow, in outline, the course of the Trotskyist movement after Trotsky's murder in 1940, and note the havoc which the 'conception of the epoch' was to create and compound.

Trotskyism After Trotskyism

It would be beyond the scope of this essay to give a detailed account of the evolution of the Fourth International. Two notable attempts to do this can be found elsewhere.[29] And it must be noted that, in addition to Trotsky's catastrophist economic perspectives, his prognosis and predictions for the Soviet Union were also a cause of severe controversy in the post-1945 Fourth International. We cannot discuss the question of the USSR here.

At the outbreak of the Second World War the International Secretariat of the Fourth International was transferred from Europe to New York. This entrenched the political and organisational hold of the United States section, the Socialist Workers Party. As early as 1943 some leading elements of the SWP, including Felix Morrow, began to argue that there were signs of the revival of mass support for communist and social-democratic parties in the European resistance movements. As a result *immediate* proletarian revolution was not necessarily on the agenda, and as a consequence the perspectives of the Trotskyist movement should be adjusted. The reaction of the estab-

lished SWP leadership was to regard these views as a fundamental revision of the Trotskyist programme and a concession to reformism which must be smashed. As a result, Morrow and others were driven out of the SWP. The catastrophist orientation of the SWP remained, without modification.

In Britain the situation was to work out differently, in several respects. First, at the outbreak of war the official British Section of the Fourth International was not the most active and effective Trotskyist organisation in Britain. The official section was eclipsed by the Workers International League, led by G. Healy, E. Grant, and others. It was a highly activist organisation, which grew in influence during the war. Their paper, the *Socialist Appeal,* gives an insightful picture of the character of the organisation. It had a vitality and optimism, but too much of this depended upon a mechanical view of history and a fatalistic confidence in their revolutionary success in the near future. Articles and documents repeat the catastrophic perspective, assure the inevitability of forthcoming socialist revolution, and talk of the tiny WIL, with about 250 members, soon coming to power. Indeed, the 1942 conference of the WIL gave prominence to a discussion of 'preparing for power'.

In 1944 a major fusion took place between the bulk of the official section, and the WIL itself. The Revolutionary Communist Party, British Section of the Fourth International, was formed. Within a few months a clear polarisation of perspectives emerged. The majority of the RCP began to see that a capitalist boom was possible, at least for a short time, after the end of the war. A minority in the RCP, led by Healy amongst others, opposed this position and clung to a perspective of collapse and catastrophe. But, most significantly, the majority was also

opposed by the leadership of the Fourth International as a whole, including the SWP leaders, and the new young leaders which the SWP had cultured in Europe, including Ernest Mandel and Michel Raptis ('Pablo'). Even as late as 1946 the international leadership was completely certain that conditions for severe crisis were present. The manifesto of the 'International Pre-Conference', drafted by Mandel, declared:

> 'There is no reason whatever to assume that we are facing a new epoch of capitalist stabilisation and development. On the contrary, the war has acted only to aggravate the disproportion between the increased productivity of the capitalist economy and the capacity of the world market to sustain it.'[30]

The international leadership showed no willingness to alter the perspectives of the Fourth International. Trotskyism had been built partly on a perspective of the declining trend of capitalist development. In 1938-40 it was weaned on a perspective of catastrophe. That was in a period of world slump and depression. Now a different world was emerging. But the leadership did not change their line.

The reply of the majority leadership of the RCP, simply asserted, in a concise and clear fashion, that a boom was possible:

> 'The classic conditions for boom are present in Europe today. A shortage of capital goods; shortage of agriculture produce; shortage of consumer goods . . . the specific position of the Secretariat and SWP . . . that the Western European countries will remain on a level approaching stagnation and slump is entirely false.'[31]

This statement was consciously directed against the tub thumping catastrophism and revolutionary phrase mongering of the international leadership. It made no significant effect. The Fourth International was

welded to the view that capitalist expansion was now impossible. The boom began, and Trotsky's 1938-40 prophesies of catastrophe were repeatedly played on the gramophone. There was not even a reversion to the dominant perspective of Trotsky's life: that of a declining *trend* of capitalist development, admitting the possibility of short-term cyclical fluctuations.

The dispute raged within the RCP. The question of perspectives was tied up with another dispute on entry into the Labour Party. The majority of the RCP wanted to keep an open party organisation outside the LP. The Healy-led minority saw a catastrophic slump as imminent. Consequently, they argued, in such circumstances the working class will surge towards the LP. As a result the revolutionaries should be inside the LP to wait for the crisis and revolutionary tide that was soon to come. Apart from the other amazing features of this discussion we must note, for the purpose of this article, that the various economic perspectives had no necessary correlation with strategy on the question of the Labour Party. The perspective of imminent slump *could* have been used to justify the maintainance of an open revolutionary party; on the basis of preserving an open revolutionary leadership. And the perspective of boom *could* have been used to back up the tactic of entry into the Labour Party; on the argument that the working class would be assuredly under the influence of reformist ideas during a boom, and an internal attack on reformism in the LP was more likely to have an audience. Either economic perspective can be used to back up either position on the question of LP entry. In terms of this specific practical question the economic perspective was irrelevant. But, as in many of Trotsky's own writings, a rigid and dogmatic view of future economic developments and 'objective conditions' prevailed. In

the post-war Fourth International, and the RCP, efforts to study the concrete situation as it emerged, and to apply tactical common sense, were not to prevail.

The Healy-led minority, despite the active assistance of Mandel, the SWP, and other international leaders, could not get the support of more than about one-fifth of the RCP membership. The International Secretariat intervened to split the RCP into two sections in 1947. They were both officially recognised but they went their separate ways. Healy's minority entered the Labour Party, leaving the rest outside. But by this time the RCP fragments were showing the strains of the factional battles. The majority had opposed the split, and they had been demoralised by the intervention of the Secretariat on the side of Healy. The majority-RCP declined in numbers and influence, and the circulation of its publications fell dramatically.[32]

Another source of demoralisation was the lack of congruence between the wartime predictions of the Fourth International and actual events after the war. Stalinism was in a stronger position than ever before, both in Eastern-European satellite states and in the labour movements of the West. It had become evident that not only was there going to be a post-war economic boom, but also it was showing no signs of flagging, and it was not going to be shortlived. Trotskyism had been catapulted into a new world, even a new epoch; because if, by any economic criteria, the First World War was an epochal watershed, then so was the Second. The reaction of some Trotskyists was to close their eyes to the unforseen trajectory of the period. The reaction of the RCP majority, to their credit, was to ponder in amazement and attempt to make some necessary political adjustments. But they

were not politically prepared for the extent of the changes that had happened.

At the time there was no other interpretation of Marxist economic theory than the mechanistic, Second Internationalist, version. This had dominated both Stalinism and Trotskyism. The whole of this theoretical apparatus, including the over utilisation of the base-superstructure analogy, and the mechanistic view of the economy, was virtually unchallenged by any known Marxist. The RCP majority had no other theoretical tools at hand. Even the best of Trotsky's theoretical writings on capitalist development were no help at all, even if they were available. Trotsky had written that a perspective of an upward trend of capitalist development was a political concession to reformism. His reformist opponents had confirmed this view by attempting to justify a reformist strategy on the basis of a perspective of capitalist expansion. No other conception of the relation between perspectives and strategy was appreciated by the RCP leadership.

The pressures on them were enormous. Not only from the international leadership but from the apparent logic of their own pronouncements. They had forseen the possibility of a boom, and they had recognised it when it had developed. The boom continued with renewed strength, and they were aware of the incongruence of this fact with Trotsky's conception of capitalist development, which he had held since 1914. Moulded by Trotsky's own conceptions they began to believe that the *existence* of the post-war boom was a *refutation* of revolutionary strategy and a *validation* of reformism. Their disillusionment was bound up with an increasing, gnawing, doubt in their own revolutionary politics. They began to exaggerate the possibilities of reform, and to capitulate intellec-

tually to reformism.[33]

In 1949, even the majority of the RCP leadership decided to recommend entry into the Labour Party. And this view won the day at a special congress of the party, despite the misgivings of many members. At the same time it should be noted that the demoralisation amongst the leadership had been carefully screened from the membership, even by those who were not capitulating to reformism. Afterwards the two sections of the RCP were re-unified, but on an entirely different basis. Healy's faction demanded, and were given, a majority on the leading bodies of the fused organisation. The old RCP majority was rapidly decimated by resignations, and by some leaders renouncing their adherence to Trotskyist politics.[34] The RCP was wrecked. There was nothing left but a minute faction under the authoritarian and intransigent leadership of Healy. But the RCP was not crushed by the armed forces of counterrevolution, nor by the pressures of war. It was wrecked on the rocks of the rigid predictions of the Fourth International and the unwavering dogmatism of its world leaders. It sunk because it could find no way of restructuring the relations between predictions and strategy.

(It would be beyond the scope of this article to discuss the British Communist Party in the same period. They too had predicted a slump after 1945, but this related to their strategy in a different way, and led to different errors.)

British Trotskyism After 1950

We need not dwell on this sad saga much more. Healey's group survived, and went on to form the Socialist Labour League in 1959 (recently re-named the Workers' Revolutionary Party). In the meantime,

in 1953, the whole Fourth International split on a world scale. This was partly due to differing assessments of Stalinism and the Soviet Bloc, partly due to disputes on the question of entryism, and partly due to differing economic perspectives for the capitalist world. But neither of the two main fragments of the Fourth International had sufficiently appraised the character of the post-war period in the capitalist world. They still, in one form or another, hung on to the mechanistic politics of preparation for the great capitalist slump. On this point they only differed in their guesses on when the future crash was to happen. Those that had eschewed 'coming slump' politics had capitulated to a variety of CP politics, or to straightforward reformism. There was no-one left in between.

Before we leave our study of the development of Trotskyism we must bury one myth. It is the myth that, in Britain, the tendency led by T. Cliff had managed to adjust drastically its economic perspectives in the 1940s or early 1950s by the introduction of its theory of the permanent arms economy. (The Cliff tendency, of course, was later to become the International Socialism group.)

Cliff's tendency came into existence inside the RCP around 1947. It held the view that the Soviet Union and the Eastern European States were 'state capitalist', as well as Soviet-dominated North Korea. After the Chinese Revolution of 1949, China was given a similar label. In the atmosphere of disenchantment within the RCP, Cliff's tendency emerged from obscurity. Healy dealt with this group by the not unfamiliar weapons of expulsion and hysterical denouncement, when it refused to support the North in the Korean War. Cliff's tendency consolidated itself outside the Healy-dominated RCP, and formed its own

avowedly Leninist and democratic centralist organisation in 1951, which saw itself as the nucleus of a new Marxist party.[35]

The main 'revision' of orthodoxy which the Cliff tendency had fought for was the 'state capitalism' theory. They were also closely wedded to a virulent brand of anti-reformism which led to sectarian excesses. And for several years after 1951 this was allied to a perspective of coming crisis. The 'permanent arms economy' theory was not well developed in the early years. In 1952 an article appears in *Socialist Review*, the paper of Cliff's organisation. It is by D. Hallas and it is titled 'The Permanent Crisis'. It put forward an extremely crude underconsumptionist explanation of capitalist crises, and then argued that the rearmament programme had staved off 'a large scale slump'.[36] There is no recognition of the *resilience* of the post war boom, or anything to dispel the view that a great capitalist crisis was on the way in the near future, in this or any other of the early *Socialist Review* articles. There is *not* the perspective of *immediate* catastrophe or collapse, but there *is* the politics of waiting for the big slump, and in the not-too-distant future it was expected to happen.

In 1954 another article appears, titled 'The Threat of a Slump'. It is written by S. Newens, then apparently a member of the Socialist Review group. He writes: 'Few people have failed to notice the numerous press reports of an impending slump in America in 1954. As many experts have pointed out, such a prospect is fraught with the most crucial economic dangers . . . All these things – in fact a return to the needless misery of the thirties and worse – are part of the threat pr[illegible]ed by an American slump.'[37] The article recognised that arms production could ameliorate the crisis, to some extent, but ended with a re-

vealing conclusion: 'Therefore slump will come eventually unless war intervenes, but probably not in a most acute form this year.'[38] But there was only a slight recession in the US in 1954. The boom soon picked up, and for the next year and more industrial production was expanding at the high average rate of 2.7 per cent per quarter.

Even in 1956, M. Kidron, developer of a theory which had allegedly recognised the resilience of the post-war expansion from the early years, was talking about the soon-to-come fight against reundancies: 'When the present boom conditions give way to slump the struggle for work will become a struggle for the retention of the jobs we have.'[39] T. Cliff's more famous 1957 article on the permanent arms economy[40] is one of the first statements of a *theory* – rather than a simple recognition of the effects of rearmament or war. But even this article does not emphasise the sustained and rapid growth of the post-war boom. And in the concluding sections it suggests that even arms expenditure might eventually lead to 'increasing pressure towards a slump'. It is still the politics of waiting for the big crash, it only warns us that the wait might be a bit longer.

We have not the space here to go into a theoretical critique of the permanent arms economy theory.[41] We must simply note that it played a very elusive purpose in the gamut of International Socialist politics. In the late 1950s and for most of the 1960s the theory stressed the length of time that we must wait for the crisis. This was much a reaction to the continual 'crisis next year' politics of the Socialist Labour League. In more recent years IS theoreticians have announced the end of the post-war capitalist boom, and seem to be predicting, like Trotsky in 1921-38, capitalist fluctuations on a declining trend

once more.[42]

We have discussed the International Socialists at length because they have faced reality more honestly than any other Trotskyist group in Britain in the post war period, albeit with considerable theoretical defects. The sad tale of the rest of the British Troskyist left is very well known. The Socialist Labour League, and it forerunner, have literally pronounced a 'crisis next year' perspective with nauseous repetitivity. The Grant group, another fragment from the disintegrating RCP, has also continually reassured us that a 'catastrophic collapse' of capitalism will come.

Proof and Practice

Despite the important political differences that exist between the Trotskyist groups, there is a common conception of capitalist development which can be traced back to Trotsky himself. This is the conception that capitalism contains an inbuilt tendency to stagnate or fall into crises of a progressively more severe nature. This view of capitalism comes in a number of guises: either a prognosis of capitalist fluctuations on a declining trend, or a more crude theory of capitalist collapse. The Trotskyist groups have tended to wander between the latter two positions over the last forty years. But both positions stem from the same problematic: the mechanistic view of the capitalist economy.

There is a complete absence of rigorous theoretical argument to support either the collapse theory or the view of cyclical fluctuations on a declining trend. These issues have been hotly debated for nearly a century, and still no adequate 'proof' is forthcoming. Neither has there been any refutation of the possibility of a future sustained period of capitalist develop-

ment, that can survive critical scrutiny. The only theory in Marx's own writings which has been used to support the stagnationist or collapse hypotheses is the theory of the falling tendency of the rate of profit.[43] Unfortunately, this too does not stand up to critical theoretical examination.[44] And it has been suggested that Marx himself might have had doubts about the falling profit rate theory in the later years of his life.[45]

That is the theoretical situation. But for socialists the battle of rational proof or disproof of the viability of capitalism is not the vital battle. Indeed, an attempt to find the holy grail of revolutionary Marxism by attempting to construct a valid theory of capitalist crisis or stagnation is fundamentally misconceived from the outset. This is for two reasons. First the reality of modern capitalism, as we have noted, cannot be embraced by a mechanistic predictive model. And second, the downfall of capitalism cannot be a matter of rationalistic proof by Marxist economists.[46] The *idea* that capitalism will stagnate or collapse does not show that the overthrow of capitalism will happen, can happen, nor should happen.

The demise of capitalism cannot be *proved:* it is a matter of *political and social practice.* Lenin made a very similar point when arguing against some Third International Marxists who were arguing that capitalism was at a complete dead end, and would certainly fail to emerge from the crisis:

> '. . . revolutionaries sometimes try to prove that the crisis is insoluble. This is a mistake. There is no such thing as an absolutely hopeless situation. . . . To try to "prove" in advance that there is "absolutely" no way out of the situation would be sheer pedantry, or playing with concepts and catchwords. Practice alone can serve as real "proof" in this and similar questions.'[47]

Lenin asserted that there was no crisis from which capitalism could not recover. In our view this statement must be extended. There is no phase of capitalist downturn, no period of stagnation, no underlying downward trend, from which capitalism, in principle, cannot recover. And this recovery could involve a period of general capitalist expansion. Such a period may not come easily, without a major adaptation and restructuring of the system. But the economic history of the last two hundred years of capitalist development illustrates the capacity that the system has to adapt and restructure itself in order to overcome either crisis or stagnation. The restructuring of capitalism in the early 1940s is the most significant and dramatic example. But we may also recall the adaptation of European capitalism in the latter third of the last century, which led to both monopolisation and a rapid imperialist expansion.[48]

This does not mean that the capitalist system can abolish its own central contradictions. It cannot reconcile the needs of humanity with production for profit. It cannot bridge the divide between the atomistic and uncoordinated decision making units of the system: between decisions to produce and decisions to consume, between decisions to buy and decisions to sell, between decisions to raise wages and decisions to raise prices – the list is endless. These contradictions all relate to the most fundamental contradiction of all: the contradiction between the forces of production and capitalist relations of production. That contradiction will remain as long as capitalism remains. But that does not mean that the capitalist system could not continue to exhibit an upward trend of expansion until its death.

Rejecting a mechanistic conception of the capitalist economy means that, in any case, we cannot ever

be certain of the future course of development of the system. Neither is this course of development determined from the outset, as the evolution of the system is contingent, rather than necessary and deterministic. A consequence of this view is that we must reject an economistic conception of the crisis of the capitalist system. There are such things as economic crises under capitalism, even though these never involve the total collapse of the system. But as far as Marxists are concerned, the fatal crisis of the capitalist system is a crisis of the capitalist process of legitimation, and an undermining of bourgeois hegemony. And the latter are far from being 'purely economic' phenomena. The process of legitimation has been studied by R. Miliband,[49] and, of course, the concept of hegemony has been a central feature of Gramsci's work.[50] The undermining of bourgeois legitimation and hegemony is the only way of preventing the bourgeoisie creating another way out of the crisis.

Another feature of Trotskyism, as we have noted, is the assertion that if capitalism can, in principle, adapt itself, and if it is not subject to irrestible laws leading to the demise of the system, then revolutionary politics has no leg to stand on, and a reformist strategy would be validated. This association and connection of two entirely separate systems of ideas has been a major reason for the failure of the Trotskyist movement to face reality since the Second World War. And it must be loudly emphasised that it is the first duty of scientific socialists to seek truth and to grapple with the real situation as it develops – whatever the political and strategic conclusions that appear to manifest themselves.

From a careful examination of the dynamics of post war capitalism the fact that government policy

can alter the course of capitalist development, to a limited but significant extent, stares us in the face. Evidence to support this thesis can be gleaned from an examination of the determinants of private investments, the determinants of consumption, the effects of pricing and taxation policy (e.g. on the housing sector), the experience of business fluctuations, and a comparison of the effects of different government policies. Bill Warren, in an excellent article on capitalist planning, has made the same point, and discussed the nature and extent of planning in the post war period in several capitalist countries.[51]

We must now face the question: does this justify a reformist, rather than a fundamentally revolutionary strategy?

Reform and Revolution

First we must be clear what is meant by reformism. It is not the advocacy of reforms. It is not the assertion that the socialist transformation should not occur in a short period of time. Reformism is a strategy which considers that a socialist government, within a capitalist state, has the potential power *in itself* to end the dominance of the capitalist mode of production, and to replace it by the dominance of the socialist mode. In effect the adoption of such a strategy means the separation of the governing socialist elite from any mass movement which displays its own autonomy and initiative. Such a mass movement is deemed secondary or inessential, by a reformist perspective.

The fact that such a reformist strategy is ineffective has nothing to do with the trajectory of capitalist economic development or the capacity of the system to yield reforms. It has to do with the nature of the capitalist state. Two elements, amongst others,

are necessary in order for a socialist transformation to take place. First, the removal of the threat presented by the armed forces of the capitalist state, i.e. the threat of military pressure, counterrevolution, or coup d'etat. Second, the breaking of the diaphragm which, under capitalism, separates the masses from effective involvement in state institutions and denies them political control of society. This can only come about if, as an absolute minimum, mass organisations are created with popular and effective power. This is not the place to discuss these two elements in detail, but as far as the justification for them is an issue, we can refer to historical experience. The tragedies of Chile in 1973 and Indonesia in 1965 are a terrifying testimony to our first point, and many other examples can be found. The histories of the USSR after 1917, China after 1949, as well as Eastern Europe and Cuba, have indicated the need for popular mass organs of power; and in some cases, such as in the Chinese Cultural Revolution and in parts of Eastern Europe in 1948, we have had a limited demonstration of their potential. If we accept these two necessary elements of a socialist transformation then we must note, and emphasise, that a reformist strategy, as we have defined it above, is absolutely excluded. And our argument against reformism has not relied upon any prognosis of capitalist stagnation, collapse or decline.

It must be conceded, however, that a number of highly significant economic and social reforms can be, and have been, carried out by governments bent on reform within the framework of a capitalist state. Such is the experience of most developed capitalist countries, and even some countries in the underdeveloped world. This does not mean, of course, that these reforms can cumulate in a socialist transforma-

tion of society. But they may act as distorted harbingers of a future socialist society and, in their positive aspects, provide the socialist movement with a concrete demonstration of the possibilities that a complete socialist transformation would bring. Furthermore, the struggle for reforms can provide a mass socialist movement with the necessary vision, confidence and hope in the socialist future, which must be obtained *within capitalism,* so that the proletariat becomes the 'leading class', to use Gramsci's words, *before* it becomes the ruling class. In other words, a struggle for reforms under capitalism can be a major part of the process by which the proletariat attains a hegemonic position, from which it can go on to capture state power and make a fundamental social and economic transformation.

What is the Crisis?

The hegemony of the proletariat over a major part of capitalist society is a crisis which it is extremely difficult for the capitalist class to cure. Even the more extreme methods of external war with another country, or mass repression, can fail if the proletariat is in a sufficiently strong hegemonic position, and they can possibly lead to an entrenchment of the power and influence of the working class – leading to a revolutionary overthrow of the capitalist order. On the other hand, an 'economic' crisis does not require extreme methods of solution *unless* the working class has a degree of hegemony which can thwart the strategy of the ruling class. As long as the working class is dominated by bourgeois ideology, and its activity is structured by institutions of a purely trade union and social-democratic praxis, then difficulties that lie in the way of the economic strategy that is necessary for capitalist recovery, can be overcome

without direct open confrontation, and with the cooperation of the actual working class leaders. Of course, confrontations do occur in such circumstances, but they cannot be relied upon as being inevitable.

It is a curious feature of the Trotskyist movement that the prediction of the coming economic crisis of the capitalist system is usually made with an air of thinly disguised elation. We could almost enter into a discussion of the group psychology of waiting for the Apocalypse. But that would be beyond the point. As long as the working class movement has failed to build up its hegemonic position there is nothing gleefull about any coming economic crisis, and there is no joy to be gained from all the 'betrayals' that the working class will be led through either. The politics of waiting for the big capitalist crash are a manifestation of the isolation of the movement, and of its failures. The fatalistic hope for the big explosion to come reveals an incapacity to intervene effectively in the conditions of the present. Those that lecture on the great crisis to come should be witnessed in sorrow, for they reveal weaknesses of the socialist movement, rather than cheered in elation.

We can, however, detect some comedy in the latter phenomenon. In recent years it is not unknown for Trotskyists to face the current economic difficulties and exclaim: 'Now all of Trotsky's predictions are being proved right!' The falseness of this statement should be obvious; the post war capitalist boom refutes Trotsky's prognosis of capitalism in decline, and the continued existence of capitalism refutes Trotsky's occasional statements that it would collapse. The 'Trotsky is proved right' remark conveys the idea of a man alone in a desert, repeating over and over again: 'It will rain. It will rain.' Then, after

forty years of drought, and endless repetition of his forecast, it does happen to rain. And the man becomes wild with excitement and praises his guru for the prophetic powers, that he conferred upon him.

To summarize our previous argument, therefore: we have suggested that in the first case a prognosis of capitalist decline is neither a necessary nor a sufficient adjunct to a revolutionary socialist strategy. In the second case the really damaging crisis of the capitalist system is a crisis of bourgeois legitimation, and socialist strategy should be directed towards the practical creation of such a crisis, rather than the endless tirade of predictions of a coming economic catastrophe.

The Post War Boom and the Current Crisis

However, this does not mean that the derivation of economic perspectives is irrelevant for socialist strategy. Far from it. But such an analysis must exclude rationalistic arguments for the coming demise of the system and focus on the concrete economic situation, working out the possible future economic trajectory in relation to the effective activity of the working class movement. The role of economic analysis for the socialist movement is not to provide rationalistic arguments for either the inevitability of capitalist crisis or the inevitability of socialism. It is to inform the movement of the conjunctural situation, and to suggest the *possibilities* that the future may hold.[52]

So far our discussion of the relation between perspectives and strategy has been a little abstract. It might be suggested that the economic situation in recent years has deteriorated to the extent that we are, in fact, going to enter a period of capitalist decline. And this would certainly be significant in its effect

upon socialist strategy, if it were strictly true. However, we shall argue that a prognosis of capitalist decline for the next decade is not only strictly incorrect but also misleading.[53] But first we must discuss the post war situation in the developed capitalist countries, particularly Britain.

In 1944 the British wartime government made a commitment to maintain full employment after the war had ended. This decision was pressured upon them for several reasons. First, they did not want to repeat the experience of labour unrest which followed the First World War. Second, the trauma of the Great Depression was still uppermost in their minds, and from the point of view of preserving the interests of capital, such an experience should not be repeated. Third, the concentration of capital had proceeded apace in the 1930s, and extensive state intervention had been prompted by the war, so the government was *de facto* in a position to carry out a Keynesian-type policy, and Keynes' ideas had become influential in the corridors of power. Fourth, largely under pressure from the labour movement, the government had committed itself to a 'New Britain' after the war, including the establishment of a welfare state, and full employment as part of the package.

This restructuring of British capitalism, with extensive state intervention in the economy, countercyclical economic measures, doses of 'planning', and so on, has created a high degree of bouyancy in the economy in the post war period. As a consequence, severe slumps have been eliminated and, unemployment levels have hardly touched the lowest levels of the inter war years, even at their highest peak. Despite the relatively low growth rate in Britain, compared to West Germany and Japan for example, never has growth in Britain been so sustained, and so high for

such a long period. The situation in the other developed capitalist countries has generally given rise to even faster growth rates.

In our view, the extent and magnitude of the world post war capitalist boom cannot be explained simply by armaments expenditures[54] or by a 'third technological revolution'.[55] These elements have been important but they do not account for the massive growth rates or the sustained nature of the boom. The most important explanation must be the restructuring of post war capitalism and the embarkation on a new phase of capitalist development. Perhaps the most fitting title for this phase would be 'state monopoly capitalism', as this captures the essence of the period more adequately then any rival description. The most significant novel feature of this period is the extensive intervention of the state in economic life.[56] This can be illustrated with a few statistics. In 1938 government expenditure was 31 per cent of gross national product, in 1948 it had risen to 42 per cent, and by 1967 it was 49 per cent. More dramatically, the figures for public investment as a percentage of all capital investment show an even more marked rise; in 1938 public investment was 30 per cent of total investment, in 1948 it was 46 per cent, and in 1967 it was 51 per cent.[57] In terms of capital investment the state sector was almost as large as the private sector in the late 1940s, and it has gradually increased to the extent that it actually overtook the private sector in the 1960s. It is no longer possible to regard the economy as a spontaneously operating machine, completely beyond the control of government policy – such a picture belongs to an age long gone, if it belongs to any age at all.

The post war restructuring of capitalism has put augmented economic power in the hands of both the

organised working class, due to the conditions of full employment, and the state. It is well recognised that although this restructured combination is not prone to the ills of catastrophic slump, it is prone to another virulent economic disease – inflation. From the post war boom has emerged as strong trade union movement, conscious of its own power in the wages struggle, and state institutions which have faced the perennial problem of finding revenue to match expenditure. As a consequence there have been three armies in a three-cornered battle for shares of the national cake: the state, the working class, and the private capitalists. This battle has been a major engine of inflation.[58]

Concurrent with the post war boom has been the intensification of international capitalist competition, and the economic challenge to the United States that has been provided by the increasing relative strength of West Germany and Japan, especially in the last decade. This has led to an undermining of US hegemony in the economic sphere, increasing inter-imperialist rivaly, and the complete collapse of the Bretton Woods monetary agreement in 1971. The resulting anarchy in the international money markets has also fueled the fires of inflation in many countries. We add to this the rapid rises in oil prices and other primary commodities in recent years. We get a picture of inflation as an international and national phenomena; a major mode of expression of the class struggle on an international scale, which is structured by the basic features of state monopoly capitalism, and by the nature of imperialist relations in the post war period.

Inflation and Its Capitalist Solution

We do not have to wait for the crisis of state mon-

opoly capitalism. In an economic sense it is with us now – the crisis *is* inflation. And within the framework of state monopoly capitalism there is no easy solution, and maybe no solution at all. Unemployment is not an obvious cure; it has already been shown, by a noble experiment of economic science carried out by the Tory experimenters in Great Britain, that high unemployment rates are compatible with high rates of inflation. In addition the laboratory guinea pigs, i.e. the working class, became significantly more militant and anti-Tory in the process. The experiment may be repeated, but it is unlikely to be a cure for inflation. Control of the money supply is another cure that has been suggested, but even if this is effective it would probably require major changes within the economy, such as nationalisation of all financial institutions, and probably state control of foreign trade, in order to be carried out.

Well, if there is no cure for inflation within state monopoly capitalism does this mean that capitalism is near the end of its days? Unfortunately we cannot draw this conclusion; it does not follow from an economic analysis of the situation. There *is* a way out for capitalism, as long as the working class is not able to block this road. This way out is already clear, it has been heralded by major precedents in the last couple of decades. It is corporatism. State control of all markets, including the labour market. State control of the bulk of investment, including private investment. But the bastions of private property remain. Major steps towards corporatism have been made by the Labour governments of 1964-70,[59] and even by the Tory government with its massive controls of dividends, profit margins, and capital movements which they implemented in 1970-4.[60]

The latest version of the post-1974 Labour Government's Industry Bill also means a major step towards corporatism, and without extensive Nationalisation.

Future Possibilities

It is certain that any transition from state monopoly capitalism to 'corporate state monopoly capitalism' will not be accomplished easily, not without the resistance of the working class in a defensive battle to preserve the free wage contract, and perhaps not without the resistance of sections of the capitalist class which would want to preserve their controls over investment and price policy. It would be quite possible for such battles to develop into a situation where the working class could increase its hegemony and eventually carry out a socialist transformation, before corporatism became fully established. But the sombre point must be made that the establishment of corporatism is possible, and it will be a very real threat in the next few years. If inflation gets very much worse the movement towards corporatism will be accelerated, as corporatist control of all markets, including control of wages, is the only capitalist cure for inflation that holds any sign of success. And if corporatism gets established then it could last for another 10, 20 or 30 years, depending on its precise flavour, strength, and dynamic. There is a capitalist solution to the present crisis, therefore, and it *could* give more life to capitalist for another few decades. This is another reason why we must reject the description of post-1945 capitalism as 'late capitalism'. (However, our adoption of the superior title 'state monopoly capitalism' does not mean that we support the Communist Party strategy of the 'anti-monopoly alliance', nor that we overestimate the structural integration between the monopolies

and the state. We cannot understand the contemporary Trotskyist refusal to utilise the latter title. They reject it because of its 'associations'; but they still adhere to the word 'communist' – which has strong popular 'associations' with Stalinism.)

There is no basis for the prophesy of the coming dead-end or stagnation of the system. That may be a pessimistic conclusion, especially if we consider the repressive and anti-working class measures that a corporate state would bring. But corporatism would not slow the growth of the productive forces to a halt. And in any case pessimism is no grounds for refusing to face reality. Socialism will not be made, or even aided, by repetitive predictions of capitalists collapse, it will be made by the working class itself, conscious of its own power and destiny, and conscious of the dangers that face it if it fails. Rather than making predictions of catastrophe it would be far more fruitful for the left to devote energies to a concrete analysis of the concrete situation, and the experimentation with a strategy which could deal with the corporatist threat. At the moment the left has time, but time is getting short. A drastic change of course is required to face the current situation and the futures that loom over us.

Facing reality means accepting the nature, significance and extent of the changes that have occured in post war capitalism. It means abandoning a mechanistic conception of the economy and economic laws that were more appropriate to a capitalism which has been dead for over a hundred years. It means abandoning some traditional Marxist perspectives and developing new ones. But above all it means throwing away the sandwich-boards with the words 'the end of the world is nigh', ending the period of partly self-imposed isolation and sectarianism on the left, and

trying to understand, grapple with, and utilise real social forces for socialist ends. It means the end of pure philosophising about the world, and beginning to change it.

Footnotes

1. Isaac Deutscher, *The Prophet Armed, The Prophet Unarmed, The Prophet Outcast*, Oxford, 1954, 1959, 1963.
2. N. Krasso, 'Trotsky's Marxism', *New Left Review* 44, July-August 1967. See also the debate that continued in NLR 47, 48, 50, 51 and 56.
3. Lenin, *Collected Works*, Vol. 39, p.230.
4. I. Deutscher ed., *The Age of Permanent Revolution*, New York 1964, pp. 71-2.
5. Ibid., pp. 76-9.
6. Lenin, *Selected Works*, Vol. 1, Moscow 1967, p. 802.
7. L. Trotsky, *The First Five Years of the Communist International*, New York 1972, Vol. 1, p. 174.
8. Ibid., pp. 200-1.
9. Ibid., pp. 207-8.
10. Ibid., pp. 210-11.
11. Op.cit., Vol. 2, p. 4.
12. Some of Kondratiev's work has been translated into English. See, for instance, *Review of Economic Statistics*, Vol. 17, pp. 105-15. For a critique see G. Garvey, 'Kondratiev's Theory of Long Cycles', in *Review of Economic Statistics*, Vol. 25, 1943, pp. 203-220.
13. Reprinted in the *Bulletin of the Conference of Socialist Economists*, Spring 1973, with an introduction by S. Zienan. Also can be found in L. Trotsky, *Problems of Everyday Life*, New York 1973.
14. Ibid. (BCSE ed.) p. 39.
15. L. Trotsky, *First Five Years of the Communist International*, New York 1972, Vol. 2, pp. 258-9.
16. L. Trotsky, *Through What Stage Are We Passing?*, London 1965, pp. 26-8.
17. *Writings of Leon Trotsky, 1932*, New York 1973, pp. 163-4. See also pp. 173-4.
18. See, for example, L. Trotsky, *Whither France?*, New York 1968, pp. 51-4.
19. See L. Colletti, *From Rousseau to Lenin*, London 1972, pp. 3-21, 62-76.
20. *Transitional Programme*, London, no date, p. 7.
21. Ibid., p. 8.
22. *Writings of Leon Trotsky, 1938-9*, New York 1969, p. 51.
23. L. Trotsky, *Marxism in Our Time*, New York 1970, p. 25.
24. Ibid., p. 34.

25. *Writings of Leon Trotsky, 1938-9,* p.27.
26. Ibid., p. 28.
27. *Writings of Leon Trotsky, 1939-40,* New York 1969, p. 45.
28. I. Deutscher, *The Prophet Outcast,* p. 467.
29. See (1) D. Hallas, 'Building the Leadership', in *International Socialism* 40, October-November 1969; 'Against the Stream', in *IS* 53, October-December 1972; and 'Fourth International in Decline', in *IS* 60, July 1973. (2) P. Frank, 'The Fourth International', serialised in *Intercontinental Press,* March 10-June 5, 1972.
30. 'The New Imperialist Peace and the Building of the Parties of The Fourth International', printed in *Workers International News,* November-December 1946.
31. Ibid.
32. Our account of events in the RCP in 1947-50 draws heavily on 'Some Notes on British Trotskyist History', by J. Walters, in *Marxist Studies,* Winter 1969-70. Walters was a member of the RCP in its later years.
33. Ibid., p. 46.
34. Ibid., p. 46.
35. For a one-sided account, which perpetuates the myth of the crisis-free perspective, see I. Birchall, 'History of the International Socialists', in *International Socialism* 76, March 1975.
36. *Socialist Review,* June-July 1952, p. 10.
37. *Socialist Review,* April 1954, p. 3.
38. Ibid., p. 4.
39. *Socialist Review,* September 1956, p. 4.
40. Reprinted in *A Socialist Review,* London 1965.
41. See, D. Purdy, 'The Permanent Arms Economy: A Critique and an Alternative', in *Bulletin of the Conference of Socialist Economists,* Spring 1973; G. Hodgson, 'The Permanent Arms Economy', in *International,* January 1973; B. Warren, 'Capitalist Planning and the State', in *New Left Review* 72, March-April 1972.
42. C. Harman, 'Marxist Economics and the World Today', *International Socialism* 76, March 1975.
43. K. Marx, *Capital,* Vol. 3, Chs. 13-15.
44. See P. Sweezy, *The Theory of Capitalist Development,* New York 1968, Ch. 6; G. Hodgson, 'The Theory of the Falling Rate of Profit', *New Left Review* 84, March-April 1974.
45. J. Seigel, 'Big Problem for Marx', in *New York Review of Books,* 31 October 1974, pp. 35-9.
46. See G. Hodgson, op. cit., pp. 77-80.
47. Lenin, 'Report to the Second Congress of the Communist International', in *Selected Works,* Vol. 3, Moscow 1967, p. 449.
48. L. Colletti, op. cit., pp. 56-62.
49. R. Miliband, *The State in Capitalist Society,* London 1969, Chs. 7-8.
50. A. Gramsci, *Prison Notebooks,* London 1971.
51. Bill Warren, op.
52. One example of such an analysis is *Britain's Economic Crisis,* by the Cambridge Political Economy Group, Nottingham 1974.
53. Note the highly informative debate between Bill Warren and Ernest Mandel in *New Left Review* 87-88, September-December

1974. On the whole our position coincides with that of Warren in this debate.

54. See, for example, M. Kidron, *Western Capitalism Since the War*, London 1968, Ch. 3.
55. See, in particular, E. Mandel, *Marxist Economic Theory*, London 1968, pp. 485-547, 605-8.
56. See B. Warren, 'Capitalist Planning and the State', loc. cit., D. Purdy, op.cit., and E. Hobsbawm, *Industry and Empire*, London 1968, Chs. 12-13.
57. Figures from M. Barratt Brown, *What Economics is About*, London 1970, pp. 227-8.
58. See P. Devine, 'Inflation and Marxist Theory', *Marxism Today*, March 1974; A. Glyn and B. Sutcliffe, *British Capitalism, Workers and the Profits Squeeze*, London 1972.
59. V. Allen, *Militant Trade Unionism*, London 1966.
60. R. Pahl & J. Winkler, 'The Coming Corporatism', *New Society*, 10 October 1974.

The Falling Profit Rate and the Collapse of Capitalism

'Practice alone can serve as real "proof" in this and similar questions.'

Lenin

A central feature of Marx's *Capital* is his exposition of 'the law of the falling tendency of the rate of profit'.[1] It is also found in the *Grundrisse*, where Marx writes: 'This is in every respect the most important law of modern political economy, and the most essential for understanding the most difficult relations. It is the most important law from the historical standpoint.'[2] It is not surprising that many Marxists have attributed a great deal of importance to the law. In fact it is the most often quoted theoretical argument to show that the capitalist mode of production has inbuilt tendencies to either collapse, stagnate, or fall into crisis.

It would seem on the surface that Marx's law has been vindicated by the spectacular decline of the profitability of British capitalism in the last twenty years. The evidence of Glyn and Sutcliffe, for example, shows that whereas the rate of profit was above 7 per cent in the years 1952-5, in 1967 it was 6.1 per cent, and it fell to 5.2 per cent in the following year, 4.7 per cent in the year after that, and 4.1 per cent in 1970.[3]

Marx's Theory

However, a close examination of Marx's law will

show that it has not been vindicated by the evidence. We must turn to the theoretical arguments that are employed by Marx in his attempt to show that the rate of profit will tend to decline. We shall employ no mathematics, but it will be convenient to adopt the following three symbols:

C = total constant capital.

This is the labour embodies in all the means of production, i.e. machinery, materials, etc., that are utilised in the production process. It includes both fixed and circulating capital.[4]

V = variable capital.

The working class receives a number of wage goods in a year, in return for its wages. The amount of socially necessary labour time embodied in these goods is the variable capital.

S = surplus value.

The working class are compelled to work for the capitalists and produce an amount of *surplus* value over and above the value of the wage goods that they receive in return. In other words S is expropriated by the capitalist class.

Obviously, by definition, the sum of V and S is equal to the total amount of socially necessary labour time that is performed by all the workers in the economy. This is sometimes called 'living labour' as it is performed in the current period, whereas C is referred to as 'dead labour' because it originates from a previous period and it is now congealed in objects. We shall assume, for simplicity, that the period of production of every good in the economy is one year.[5]

Marx's arguments to support the law of the falling tendency of the rate of profit are to be found in a

number of places in *Capital*[6] and the *Grundrisse*[7] and it is difficult to find a single comprehensive statement of the law. A recent article by Yaffe quite faithfully, but uncritically, reproduces Marx's arguments.[8] However, we believe that the essence of Marx's law is encapsulated within the following thirteen propositions:

1. A central motivating force of capitalist production is the accumulation of capital.
2. The accumulation of capital necessarily involves, in part, the accumulation of dead labour embodied in means of production, i.e. the accumulation of C.
3. The source of all embodied labour must be living labour engaged in production, and as the workers do not save or accumulate, then the origin of accumulated dead labour (C) must be found in the surplus value (S) created in production by living labour.
4. The capitalists, therefore, will attempt to maximise the expropriation of surplus value (S).
5. Two ways in which the latter can be achieved are: first, by reducing the variable capital (V), and second, by increasing the working population. The latter, however, is limited and largely beyond the control of the capitalists. They must, therefore, mainly resort to the reduction of variable capital in order to increase surplus value.
6. One way in which the variable capital can be reduced is by cutting of wages, however, this will be resisted by the workers and it cannot go on indefinitely, especially if the capitalists are in intense competition with one another and they each want to increase the size of their labour force.
7. A most useful way of decreasing the variable capital, which overcomes the previously stated problems, is to increase the productivity of labour in those industries which produce the wage goods that are consumed by the working class. This could mean

that the workers receive the same consumer goods in return for their wages, but these same goods embody less labour time, as less labour is required for their production, as a result of the productivity increases.

8. This increase in productivity is achieved by employing more machinery, which results in an increase in constant capital (C).

9. From propositions 2 and 8 we deduce a constantly increasing magnitude of constant capital (C).

10. Surplus value (S) may also tend to grow, but if it does so its growth is limited by the size of the working population, as the source of surplus value is in the living labour power employed in capitalist production.

11. If surplus value grows at the expense of variable capital the reductions in the latter cannot be persistently and continuously greater than any increase in the magnitude of constant capital (C). This is because C can continue to grow by constant amounts, but, on the other hand, V cannot continue to be reduced by the same constant amounts, as V must remain greater than zero.

12. From propositions 9 and 10 we deduce a tendency for constant capital (C) to grow at a faster proportional rate than surplus value (S).

13. The general rate of profit in a capitalist economy is the amount of surplus value divided by the total advanced capital, i.e.

$$\text{rate of profit} = \frac{S}{C + V}$$

14. From propositions 11, 12 and 13 we can deduce a progressive tendency for the rate of profit to fall.

We can summarise the above argument in the following manner: In order to accumulate more and

more capital, capitalists must try to increase the amount of surplus value. To do this they are forced to increase the productivity of labour, which they achieve by increasing the amount of machinery, and thus the magnitude of constant capital will increase, and more capital will be accumulated. Surplus value, however, is limited by the size of the working population, and it cannot grow at the same rate as the constant capital. Hence, constant capital will grow at a greater proportional rate than surplus value and, as a result, the rate of profit will tend to fall.

Marx's argument, which we believe to have reproduced in its essentials above, is, therefore, a relatively complex chain of reasoning. However, it is clear that propositions 2 and 8 are both absolutely essential for the argument to stand up. We shall concentrate our attack on these two propositions. (It is also possible to refute propositions 4, and especially 13, and strange counter-examples can be constructed to contradict both 10 and 11. But this additional attack involves an excursion into complex issues involving the theory of value.[9] We shall not raise these questions here.) It must be emphasised that our attack on propositions 2 and 8 does *not* depend upon either the adoption or rejection of any particular solution to the problem of transforming embodied labour values into prices. That is a separate issue.

A Critique

The capitalist mode of production has enormously increased the mass of tools, machinery, materials and buildings on the face of the earth. It is quite possible that the mass of these means of production has increased at a faster rate than the population of the working class, especially at key periods of capitalist history, such as the industrial revolution. But that

does not mean that constant capital (C) has increased at a faster proportional rate than the amount of surplus value (S). The latter two quantities refer to amounts of *labour time,* and constant capital, in particular, is the amount of labour time *embodied* in the means of production. This amount has no direct relationship with the mass of buildings and machinery which loom up around us.[10]

In fact, the amount of constant capital (C) is likely to grow at a much slower rate than the mass of the means of production. This is because of increases of productivity in those industries which actually produce the means of production. A given type of machine, for example, may be produced with less and less embodied labour, as time goes on, as a result of productive innovations in the work process and in the implements required to produce the machine. Marx, himself, noticed this phenomena in his discussion of 'counteracting influences' in the third volume of *Capital.* He did not, however, provide any reason for us to conclude that this counteracting influence would be less strong that the forces that would lead to a fall in the rate of profit. It is quite possible that *increases* in productivity could be associated with a *decrease* in the labour embodied in machinery, per unit of living labour employed in production.

The steady increase of productivity is certainly a hallmark of capitalism. This would mean that less and less living labour is required per unit of output. But it also could mean that economies were being made in the *dead labour* embodied in the means of production. Productivity steadily increases; living labour per unit of output steadily decreases; but, in addition, there is no necessary reason to suppose that the labour embodied in the means of production per unit of output, will decrease at a *slower* rate.

After all, increases in productivity affect the industries that produce capital goods, as well as affecting other industries.

We have no particular reason to assume that the accumulation of capital involves the increase in the labour embodied in the means of production at a faster rate than the amount of living labour power employed. This does not destroy the concept of capital accumulation. Fundamentally, this is the extension of the separation of the means of production from the producers, the progressive domination of man by machine, the creation of a world mass proletariat, and the concentration of an increasing mass of wealth and means of production in fewer and fewer hands. In other words, the accumulation of capital is the reproduction of capitalist *social relations* on an extended scale.

We cannot, however, reduce capital accumulation to the augmentation of single quantities, or the accumulation of things. Neither can we deduce any tendency for the value of constant capital (C) to grow at a faster rate than surplus value (S), nor, for that matter, can we find any necessary reason for S to grow at a faster rate than C. We are led to an agnostic conclusion. There is no necessary reason for the rate of profit to have a tendency to fall over time, at least as a result of the value of constant capital becoming progressively larger than surplus value. This means that the law of the falling tendency of the rate of profit must be rejected.

A Counter-Attack

In an attempt to salvage Marx, some writers have restated the law in a slightly different manner: 'When Marx dealt with the rising organic composition of capital (i.e. rising C/V – G.H.) he explained it not in

terms of technological development, but in terms of the particular technological developments that are generated by the capitalist mode of production. What is at issue is the way that capital subordinates technical change to its own imperative – the expansion of value.' Then the following argument is produced: 'Since the annual newly created value is limited so is the quantity of surplus value produced each year. Consequently, as the mass of accumulated value rises, the rate of expansion of this value (rate of profit) declines.'[11]

The above argument will not stand up unless we *assume*, without evident justification, that capital is *defined* as 'self expanding value'. In other words, we assume at the start that the labour embodied in all capital (i.e. C+V) will increase over time, and it will tend to increase at a faster rate than the limited size of the working population.

But the whole point is that this 'proves' the law of the falling tendency of the rate of profit by simply *assuming* that it is true in the first place. By defining capital as 'self expanding value', and implicitly assuming that it will expand at a greater rate than the working population, then it will follow as a matter of *pure logic* that constant capital (C) will grow at a faster rate than surplus value (S), and the rate of profit will fall. What happens *in reality*, however, is, of course, a different matter. The above 'proof' of the falling tendency of the rate of profit is nothing else than a tautology. What the defenders of Marx must do is *show* and *explain* that the accumulation of capital *necessarily* entails the expansion of accumulated value. As yet, this has not been done. Instead, the endless quotation from Marx has replaced any adequate theoretical reply to the critics.

The tautological mode of reasoning, in recent

years, has been taken to extremes. We are told that the falling rate of profit *is* a tautological proposition - it has nothing to do with the real empirical rate of profit that the capitalists utilise. It is hidden from view; it does not appear in the empirical reality inhabited by us mere mortals. The falling rate of profit is deduced from 'the concept of capital' – a concept which resides in the heads of some Marxists, but does not, however, appear to correspond with the reality of capital in the real world outside. All we are told is that capitalist crises are a manifestation of the falling rate of profit, but only the initiated are allowed to understand the hidden mechanisms behind the crisis. And we are not allowed to retort that if capitalism is *not* in a state of crisis at any time then that is equally a refutation of the law of the falling rate of profit, as the existence of the crisis is a vindication, at least in the absence of any independently verifiable arguments to support the 'law'. This retort is dismissed as 'empiricism'.

We cannot argue too forcibly that the above mystification of Marx's political economy is completely alien to the explicit intentions of Marx himself. The rate of profit, for instance, was not intended to be a magic variable hidden from view, which Marxists pull out of a hat on relevant occasions. On the contrary, according to Marx, the 'rate of profit and therefore the *appearance* of surplus value in the form of profit are *revealed on the surface of the phenomenon*'.[12] Elsewhere he writes: 'The average profit figures practically, in the mind and calculation of the capitalist himself . . .'[13] The falling rate of profit is not simply a tautology: '*in reality*, as we have seen, the rate of profit will fall in the long run.'[14] Marx's law may have been theoretically misconceived, but he certainly did not intend it to be

an empty tautology, nor an unverifiable explanation of all capitalist crises.

The Empirical Evidence

We now turn to the evident fall in the rate of profit in British capitalism in the last few years. Has this been a manifestation of Marx's law of the falling tendency of the rate of profit? We shall show that it is not. The central proposition in his theory is that the growth of the amount of constant capital (C) outstrips the living labour time performed by the workforce. In addition, C would grow at a faster rate than both S and V. And he tended to think that V would not grow at a faster rate than S, in the long run.

Unfortunately, however, all the above three variables are in terms of values, i.e. in terms of amounts of embodied labour time. It would be extremely difficult to work out their actual magnitudes from data for the economy, and no Marxist or non-Marxist has succeeded to do this, for any economy, to our knowledge. It is necessary, therefore, to resort to the price expressions of the three variables. In fact, data in terms of prices carry no less force, as the real rate of profit, which operates in the real capitalist world and in 'the mind and calculation of the capitalist', is in price terms, not in terms of values.

First let us compare the growth of constant capital, in price terms, with the price of the output created by the living labour time in production. This is analogous to a comparison of the labour embodied in the means of production with the labour time performed in production. It is only meaningful, we must emphasise, to compare the two items when they are measured in the *same units.* We are not able to compare them in value terms, so we must compare then in terms of prices. To get a rough indication of the

progress of accumulation of capital, measured in price terms alone, with the growth of current output, we have divided figures for the total gross stock of capital, excluding dwellings, by the gross domestic product. This is called the capital-output ratio, and it is a rough indication of the amount of machinery etc. 'per man'.

Table 1: The Capital-Output Ratio in Britain[15]

Year	1900	1910	1922	1930	1938	1950	1960	1969
C-O Ratio	2.9	3.3	3.9	3.6	2.8	2.6	2.6	2.9

Clearly, from Table 1, there is no evidence for any tendency for the capital-output ratio to rise. In other words, despite the massive accumulation of capital, in physical terms, in the period, this has not resulted in a faster growth of the price of that capital when compared with the growth of the price of the output. There is no evidence, therefore, to sustain the thesis that the accumulation of capital involves the increase in the price of the means of production at a faster rate than the price of the commodities created by the living labour power employed. We have no reason to expect that the labour embodied in the means of production will, in contrast, grow at a faster rate, either.

Why, then, has the rate of profit fallen so dramatically in Britain? The evidence of Glyn and Sutcliffe shows most clearly that the fall in the rate of profit has resulted from a steady increase in the (before tax) share of the national cake going to salaried and wage workers, at the expense of the share going to profits. In other words, in price terms, 'V' has grown at the expense of 'S'. The cause of this shift are, no doubt, very complicated, but whatever the basic reasons the fall in the rate of profit has been mediated through

an increase in the slice of the (before tax) national cake going to the working class. There has been a very slight increase in the capital-output ratio since 1960, but this does not account for the slumps in the profit rate. In general, we must conclude, the fall in the rate of profit has not resulted from an increase in C at a much faster rate than the national cake itself, neither has it resulted from a mythical pressure for capital, as 'self expanding value', to increase the value of C at a faster rate than the living labour that is employed in production. The fall in the rate of profit has not resulted from the forces which Marx identified.

We reproduce some of Glyn and Sutcliffe's evidence in Table 2.

Table 2: Share of Profits in Company Product in Britain[16]

Year	1950	1955	1960	1965	1970
Share of Profits (per cent)	23	25	23	20	12

Note that the share of the national cake going to profits nearly halved from 1960 to 1970. Other things being equal, this would result in roughly a halving of the profit rate in the period. The growth of constant capital per unit of living labour employed cannot claim anything like that influence on the profits crisis.

We must conclude that the profits crisis, in Britain at least, has not come about through the working of the forces that Marx claimed to identify in his theory of the falling rate of profit.

A Final Attempt to Rescue Marx

We note that some would-be defenders of Marx's theory, in retreat from the clear empirical evidence which does not back up Marx, have given his 'law' a different interpretation which is not vulnerable to the world of facts and figures. They state, quite correctly, that Marx did not only identify forces leading to a relative increase of constant capital, but also, he recognised in a chapter in volume three of *Capital* that there were 'counteracting influences' in the opposite direction. Then a peculiar twist is added: it is not supposed to matter whether or not the rate of profit *actually* has a long run tendency to fall, we are meant to understand the law of the falling rate of profit as a 'dialectical' unity of tendencies which lead to a fall in the rate of profit and countertendencies in the opposite direction.[17]

The astounding feature of this 'dialectical interpretation is that it does not matter what happens in the real world as far as the vindication of the law is concerned; Marx's law is valid if the rate of profit tends to fall, and it is valid if it tends to rise! Marx's genius is praised for making such an incontrovertible discovery.

It must be emphasised, however, that Marx himself did not have this conception of his own law of the falling rate of profit. He did recognise that 'the cheapening of the elements of constant capital' would occur as a result of increases in productivity, and this would act as a counter-tendency to the fall in the rate of profit. But, he insisted, 'in reality . . . the rate of profit will fall in the long run'.[18]

What Marx did not do was provide us with any reason to suppose that the 'counteracting influences' would, in the long run, prove less influential than the forces tending to make the rate of profit fall. It is not

justified, therefore, to simply *describe* forces bringing down the rate of profit as 'tendencies' whereas forces acting in the opposite direction are seen to be mere 'counteracting influences'. Such a designation of conceptual status is completely arbitrary. With no less justification we could describe the forces leading to a *rise* in the rate of profit as 'tendencies' and forces leading to a fall in the rate of profit as 'counteracting influences . In which case the counteracting influences would become the 'law' and the law of the falling rate of profit would collapse – by a mere change in terminology.

The final attempt to rescue Marx rests, therefore, on an arbitrary and non-Marxist conceptual framework. It does not produce a scientific law which has any possibility of empirical validation or refutation. It is an incontrovertible dogma.

Marx's Enigma

In note form at least, the three volumes of Marx's *Capital* were complete by 1870. Yet Marx lived for another thirteen years, and volumes two and three of *Capital* were not prepared for the publisher in his lifetime. Poverty and illness were blamed for the delay, but Engels had written to Marx in 1860:

> 'I know very well about all the other disturbances that get in the way, but I also know that the main delay always lies in your own scruples.'[19]

Could Marx's scruples have had something to do with the delay in the production of the latter volumes of *Capital?*

In particular, there is a notable reduction in the amount of euphoria surrounding the presentation of the 'law of the falling tendency of the rate of profit' in *Capital* when compared with its earlier appearance

in the *Grundrisse.* This fact, and other evidence, has led J.E. Seigel to conjecture that Marx may have been dissatisfied with his law of the falling rate of profit, and this was one of the scruples which delayed the publication of the latter volumes of *Capital.*[20]

Whether or not Seigel is right cannot be resolved, at least until the publication of Marx's complete correspondence. But the over-zealous supporters of Marx's every word would do well to ponder upon the fact that Marx did not feel able to finish volumes two and three in his lifetime, and abandoned the manuscripts for well over a decade.

The Economy as a Machine

When Marx was writing *Capital* the object of his analysis, i.e. the British capitalist economy, was much more competitive internally, and much less monopolistic, than it is today. In the 1860s few single capitalists could affect the industrial situation as much as the owner of a massive modern monopoly. Neither did the state involve itself in economic life to the extent that it has done in the last few decades. In the 1860s, therefore, Marx could analyse the economy in terms of laws of motion that were independent of the wills of men, with more justification than he could today. But in any case, for contemporary purposes, we must reject the notion of the economy as a mechanistic entity, subject to rigid unalterable laws, and grinding out its own inherent destiny. This mechanistic conception of the economy has been unqualified in much of the prevalent Marxism after Marx's death. But in Marx's own writings we find a much more sophisticated conception. We find countless references to his key concept of the 'social relations of production which embraces both the production of *things* and the production of *ideas.*

The so-called 'economy', therefore, does not only produce material, physical objects, subject to the laws of Newtonian mechanics, but also ideas and social relations between people, subject to a different mode of causality. The history of capitalism is not something outside and independent of real living people. To regard such individuals and social relations as purely the 'objects' of history is to succumb to the reification of capitalist reality. It is to regard society as a pure object, a thing. In contrast, Marx wrote:

> 'History is *nothing* but the activity of men in pursuit of their ends.'[21]

Today it is necessary to face the fact that governments can have a considerable influence on the functioning and, within limits, the performance of the modern capitalist economy. In addition, monopolists can have a willful influence on prices and output. Modern capitalism can be steered, within certain boundaries, by a sophisticated set of policy instruments. In Britain, for example, about half of all capital investment passes through the hands of the state, and is thus subject to the ruminations of government policy and conscious planning.[22]

We cannot conclude from this, of course, that governments can necessarily alter some fundamental features of the capitalist system, erode the power of the monopolies to any great extent, dismantle the capitalist state, and emancipate the working class. Such a conclusion would not follow. But this does not mean that the effects of conscious government intervention in the development of the capitalist economy can be disregarded. Indeed, any successful revolutionary socialist strategy must take great account of them.

The Political Irrelevance of the Law of the Falling Rate of Profit

Our rejection of a mechanistic conception of the economy, and acceptance that capitalist governments can alter the course of development of the capitalist system, are highly compatible with the rejection of the law of the falling tendency of the rate of profit. There are no automatic and inevitable laws which grind capitalism down to its final crisis and collapse. In principle there is no crisis from which capitalism cannot recover.

However, some Marxists have argued that the rejection of the falling rate of profit theory is automatically a concession to reformism. This is a strange conclusion. It would appear to imply that *if* the rate of profit *was* tending to rise then there would be no problem in gradually reforming away all the ills of capitalism and creating a socilist society by reformist means. *If* the rate of profit *was* tending to rise then it would appear that we could *ignore* the problem of state power, the threat of counterrevolution, and the creation of mass organs of class power by the working masses themselves! We find in this intransigent anti-reformism strange concessions to reformism itself.

A conception of revolutionary theory which holds that the soul of Marxism resides in the *idea* that capitalism will stagnate or collapse must, in effect, separate theory completely from practice. Theory becomes a passive commentary on the workings of the capitalist 'economic machine'; it is an endless and impotent repetition of the assurance that the demise of capitalism is inevitable and the next capitalist crisis is 'just round the corner . Practice is the activity which is fatalistically motivated by these ideas. There is a Chinese Wall between the theory and the

corresponding practice. What is missing in this conception of revolutionary theory is the notion that the truth or non-truth of certain propositions about the future of capitalism can only be proved in practice. As Marx put it in the second thesis on Feuerbach:

> 'The question whether human thinking can pretend to objective truth is not a theoretical but a *practical* question. Man must prove the truth, i.e. the reality and power, the "this-sideness" of his thinking in practice.'

In addition, the erroneous conception of revolutionary theory does not recognise that any theory or prediction must be, in fact, a programme of action towards a goal or end in reality.[23] The recognition of this fact cannot be a passive footnote to the theory or prediction. *It must be reflected in the nature, development and structure of the theory itself.*

In Marxism, therefore, a theory of crisis cannot be conceived in a purely *a priori* and rationalistic manner. It cannot purely be a set of ideas which provide a simply rational basis for being a revolutionary socialist. It must be an investigation into concrete and conjunctural socioeconomic convulsions, from the point of view of practical activity to change reality. It is not enough to say that theory must be a guide to action – it must be a guide to action which is actually informed by concrete reality and has within itself the possibility of adaptation in the light of the accomplished action.

Passive Fatalism and Active Fatalism

The defects of a passive and fatalistic interpretation of Marxism, with its insistence on the inevitable progress towards the socialist future and its underemphasis of conscious action and organisation, are

well known, and have been well criticised by Lenin, Trotsky, Lukacs, Korsch, Gramsci and others. Again a feature of this passive fatalism is the separateness of theory from immediate practical activity. But fewer Marxists have recognised and criticised the other side of the fatalist coin – active fatalism.

The most important recognition and critique of active fatalism is found in the writings of Gramsci. The active fatalist acknowledges the necessity of conscious action and organisation, but these are impelled by a fatalistic belief in automatic historical forces which push the fatalist into action and ensure the final victory. Such a fatalism can lead to heroic acts, fanatical determination, and long periods of hyperactivism. But it also carries with it a sectarian aversion to compromises, and a voluntaristic overestimation of the general virtues of 'building the Marxist party', or even armed conflict, in circumstances where they are not the immediate priority. Such fatalism, Gramsci notes, is linked to

> 'the iron conviction that there exist objective laws of historical development similar in kind to natural laws, together with a belief in a predetermined teleology like that of a religion . . .'[24]

A feature of religion, of course, is that it only exists in the heads of the religious, and it lacks scientific objectivity. But the heritage of our religious past can still be found in the Calvinistic theory and practice of some Marxist groups. For example, it is not uncommon for one small group or another to come out with an 'analysis' that 'a general strike is inevitable'. Desiring to place itself at the head of the movement towards such a general strike the organisation then makes repeated slogan calls for such an action. Being without the actual influence to bring about such

events, in most cases the general strike does not occur. Then the small sect blames the outcome on, more often than not, 'the trade union bureaucrats'. What is wrong with all this is not the call for the general strike in itself; there are many circumstances when such a call would be appropriate. The error lies in the faulty deterministic analysis at the start which ignores the existing and potential development of the relationship of forces, and the unscientific nature of the prognosis which makes it impossible for the organisation to actually learn from the events. In fact, the trade union leaders may not have acted in a satisfactory manner, but to simply blame the lack of a general strike on them allows the Marxist sect to avoid the self-examining questions of whether the strike was actually desirable or possible in the first place. The sects thus substitute an unwarranted fatalism for a concrete analysis of the concrete situation.

At the more general level we can note elements of active fatalism in several important and committed Marxists in the past. For example, Rosa Luxemburg held the view that unless capitalism was overthrown it would inevitably reach an impasse and collapse of its own accord. This, along with an underestimation of the social weight of institutions in capitalist society, gave her a voluntaristic impatience, and an overestimation of the merits of disembodied propaganda and agitation. It was for this reason that there was some justification in the later criticisms of her as a 'fatalist'.[25] The same sort of fatalism can also be found in the writings of Leon Trotsky, especially in his last years, where he insists on the irrevocable decline of capitalism and overestimates the effective agency of the revolutionary party, in a situation where the Marxist left was either extremely

weak or paralysed by Stalinism.

But we must not let the 'passive fatalists' off the hook. A dramatic modern illustration of the severe dangers in this approach was the performance of the French Communist Party in the May Events in 1968. They analysed the situation as non-revolutionary, and then put the brakes on any movement towards a revolutionary development. They consciously sabotaged the mass strikes, for no ostensible purpose other than to restore normalcy and order. As a result, their analysis became a self-fulfilling prophesy. They too substituted dogma for concrete analysis, they too appealed to a deterministic prejudice, and they too approached reality in such a way that they could not and would not learn from concrete developments.

Towards a New Beginning?

There are encouraging signs, however, that British Marxism is going through a mild renaissance in the present decade. Not only have several works of the unknown Marx, such as the *Grundrisse*, appeared for the first time in English, but also there has been an explosion of Marxist theoretical work, and a developing tendency to reinvigorate and rebuild Marxism itself. The need is acutely felt to develop analyses and strategies which are relevant for post Second World War capitalism, and are free of the deficiencies of earlier work by Marx and other Marx-osts. A necessary feature of this renaissance, if it is to be effective, is a healthy antipathy to dogma, and a willingness to admit that Marx himself, for all his great merits, did, in fact, make mistakes. Marx founded scientific socialism and the materialist social science of capitalist society. But he did not complete its investigations, and he did not build a theoretical superstructure that was free from flaws.

Neither is there any room for complacency. Marxism must face its own internal crisis for, as yet, its cardinal mission has not been achieved; there has been no socialist transformation in any advanced western capitalist country, particularly in countries such as Britain and Germany where Marx expected it to happen first. Colletti has made this point most forcibly:

> '. . . I believe there is something much graver to be said about the predictions contained in *Capital*. Not only has the falling rate of profit not been empirically verified, but the central test of *Capital* itself has not yet come to pass: a socialist revolution in the advanced West. The result is that Marxism is in crisis today, and it can only surmount this crisis by acknowledging it.'[26]

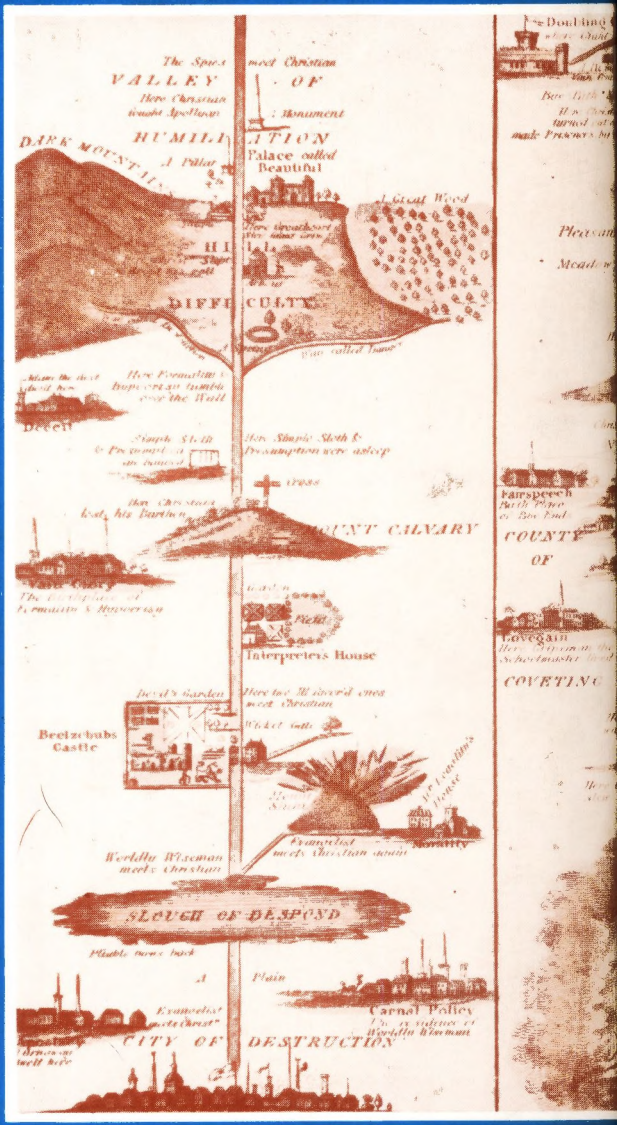
This crisis is compounded at the organisational level by the fact that the traditional categories and divisions which divide Marxists have, to some extent, become outdated. Almost every Marxist currently owes its genesis to a split or debate that occurred *before* the Second World War. Even the Maoists, a more recent addition, hark back to the 'good old days' of the Stalin era in the USSR. We face the twin evils of the voluntaristic sects on the one hand and the pure electoralism of the Communist Party on the other. And both betray their isolation by the fatalist orientation of their theory and practice.

Yet the work on a concrete analysis of post-war British capitalism is accelerating at a comforting pace. And, significantly, the important contributions in this field seem to originate from members of all the existing Marxist currents, as well as from independent Marxists.[27] Perhaps it is not too late to expect an effective New Marxism to appear in British political life.

Footnotes

1. *Capital,* vol. 1, ch. 25; vol. 3, pt. 3.
2. *Grundrisse,* Penguin 1973, p. 748.
3. A. Glyn & Bob Sutcliffe, *British Capitalism, Workers and the Profits Squeeze,* Penguin 1972, p. 248, column 4.
4. See *Capital,* vol. 3, Moscow 1962, pp. 47, 107, 150, 154, 224.
5. A more general exposition is found in G. Hodgson, 'The Theory of the falling Rate of Profit', *New Left Review* 84, March-April 1974.
6. See note 1.
7. *Grundrisse,* pp. 386-98, 745-58.
8. D.S. Yaffe, 'The Marxian Theory of Crisis, Capital and the State', *Economy and Society,* May 1973.
9. See for example, Ian Steedman, 'Positive Profits with Negative Surplus Value', *Economic Journal,* March 1975; and 'Value Price and Profit', *New Left Review* 90, March-April 1965; G. Hodgson, 'Marxian Epistemology and the Transformation Problem', *Economy and Society,* November 1974; *The Effects of Joint Production and Fixed Capital,* Manchester Polytechnic 1975; and *Explanation and Embodied Labour Time,* unpublished.
10. See P. Sweezy, *The Theory of Capitalist Development,* p.103.
11. P. Cockshott, 'The Critique of Political Economy', *New Edinburgh Review,* pp. 9-10. See also my reply: *Tha Falling Rate of Profit: A Reply to Paul Cockshott,* unpublished.
12. *Capital,* vol. 3, p. 43, our emphasis.
13. Ibid, p. 849.
14. Ibid, p. 275, our emphasis.
15. *The British Economy: Key Statistics 1900-70,* pp. 5 and 12.
16. Glyn and Sutcliffe, op. cit., pp. 238-9, column 3.
17. See, for example, P. Armstrong, in *Bulletin of the Conference of Socialist Economists,* June 1975.
18. *Capital,* vol. 3, p. 275.
19. Quoted in J. Seigel, 'Big Problem for Marx', in *New York Review of Books,* 31 October 1974, p. 38.
20. Ibid.
21. T. Bottomore and M. Rubel, *Karl Marx,* Pelican edn., p. 78.
22. See Bill Warren, 'Capitalist Planning and the State', in *New Left Review* 72, March-April 1972.
23. see A. Gramsci, *Prison Notebooks,* p. 171.
24. Ibid., p. 168.
25. The failure to notice the possibility of active, rather than passive, fatalism lies behind an unsuccessful attempt to rebuff this criticism: N. Geras, 'Rosa Luxemburg: Barbarism and the Collapse of Capitalism', in *New Left Review* 82, November-December 1973.
26. L. Colletti, 'A Political and Philosophical Interview', *New Left Review* 86, July-August 1974.
27. A list of notab[illegible]nt contributions could include: Cambridge Political Economy Group, *Britain's Economic Crisis,* Spokesman Pamphlet No. 44.
    P. Devine, 'Inflation and Marxist Theory', *Marxism Today,* February 1974.

Glyn and Sutcliffe, op. cit.
I. Gough, 'State Expenditure in Advanced Capitalism', *New Left Review*, 92, July-August 1975.
B. Warren and M. Prior, *Advanced Capitalism and Backward Socialism*, Spokesman Pamphlet No. 46.



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